

BOROUGH OF MONTVALE
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2017

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	6-8
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	9-17
B	Comparative Balance Sheets - Regulatory Basis - Trust Funds	18-19
B-1	Statement of Revenues – Regulatory Basis – Open Space Preservation Trust Fund	20
B-2	Statement of Expenditures – Regulatory Basis – Open Space Preservation Trust Fund	20
C	Comparative Balance Sheets- Regulatory Basis - General Capital Fund	21
C-1	Comparative Statements of Changes in Fund Balance – Regulatory Basis - General Capital Fund	22
D	Comparative Balance Sheets - Regulatory Basis - Public Assistance Fund	23
E	Comparative Balance Sheets - Regulatory Basis - General Fixed Assets Account Group	24
	Notes to Financial Statements	25-57
Supplementary Schedules		
<u>Current Fund</u>		
A-4	Statement of Cash – Collector – Treasurer	58
A-5	Statement of Change Funds	59
A-6	Statement of Petty Cash Fund	59
A-7	Statement of Grants Receivable	60
A-8	Statement of Due to State of New Jersey - Senior Citizens' and Veterans' Deductions	60
A-9	Statement of Taxes Receivable and Analysis of Property Tax Levy	61
A-10	Statement of Tax Title Liens Receivable	62
A-11	Statement of Property Acquired for Taxes (At Assessed Valuation)	62
A-12	Statement of Revenue Accounts Receivable	63
A-13	Statement of Deferred Charges N.J.S. 40A:4-55 Special Emergency	64
A-14	Statement of Deferred Charges	64
A-15	Statement of Appropriation Reserves	65-66
A-16	Statement of Encumbrances Payable	67
A-17	Statement of Accounts Payable	67
A-18	Statement of Prepaid Taxes	67
A-19	Statement of Tax Overpayments	68
A-20	Statement of Local District School Taxes Payable	68
A-21	Statement of Regional High School Taxes Payable	69
A-22	Statement of County Taxes Payable	69
A-23	Statement of Due County for Added and Omitted Taxes	70
A-24	Statement of Municipal Open Space Taxes	70
A-25	Statement of Fees Payable	70

BOROUGH OF MONTVALE

TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
Supplementary Schedules (Continued)		
<u>Current Fund (Continued)</u>		
A-26	Statement of Prepaid Revenue	71
A-27	Statement of Reserve for Tax Appeals	71
A-28	Statement of Miscellaneous Reserves	72
A-29	Statement of Reserve for Grants – Unappropriated	72
A-30	Statement of Reserves for Grants – Appropriated	73
<u>Trust Funds</u>		
B-3	Statement of Trust Cash - Treasurer	74
B-4	Statement of Due to State of New Jersey – Fees Payable - Animal Control Fund	75
B-5	Statement of Reserve for Animal Control Expenditures – Animal Control Fund	75
B-6	Statement of Due to Current Fund – Animal Control Fund	76
B-7	Statement of Due to State of New Jersey – Claims Payable – Unemployment Insurance Fund	77
B-8	Statement of Reserve for Unemployment Compensation Insurance – Unemployment Insurance Fund	77
B-9	Statement of Due To Current Fund – Other Trust Fund	78
B-10	Statement of Escrow Deposits – Other Trust Fund	78
B-11	Statement of Payroll Deductions Payable – Other Trust Fund	79
B-12	Statement of Miscellaneous Reserves and Deposits – Other Trust Fund	79
B-13	Statement of Net Payroll Payable – Other Trust Fund	80
B-14	Statement of Due from Current Fund – Open Space Preservation Trust Fund	80
B-15	Statement of Reserve for Open Space Preservation – Open Space Preservation Trust Fund	80
B-16	Statement of Encumbrances Payable – Open Space Preservation Trust Fund	81
<u>General Capital Fund</u>		
C-2	Statement of General Capital Cash - Treasurer	82
C-3	Analysis of General Capital Cash	83
C-4	Statement of Due from Current Fund	84
C-5	Statement of Deferred Charges to Future Taxation - Funded	84
C-6	Statement of Deferred Charges to Future Taxation – Unfunded	85
C-7	Statement of Improvement Authorizations	86
C-8	Statement of Encumbrances Payable	87
C-9	Statement of Capital Improvement Fund	87
C-10	Statement of Reserve for Payment of Debt	88
C-11	Statement of Reserve for Improvement of Field	88
C-12	Statement of Reserve for Preliminary Expenses	88
C-13	Statement of General Serial Bonds	89
C-14	Statement of Bond Anticipation Notes	90
C-15	Statement of Bonds and Notes Authorized But Not Issued	91
<u>Public Assistance Fund</u>		
D-1	Statement of Public Assistance Cash - Treasurer	92
D-2	Statement of Reserve for Public Assistance Expenditures	92
D-3	Statement of Public Assistance Revenues	93
D-4	Statement of Public Assistance Expenditures	93

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	94-95
Schedule A	Schedule of Expenditures of Federal Awards 96
Schedule B	Schedule of Expenditures of State Financial Assistance 97
	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance 98
	Schedule of Findings and Responses 99-101
<u>Part III – Supplementary Data and Letter of Comments and Recommendations</u>	
	Comparative Statement of Operations and Changes in Fund Balance - Current Fund 102
	Comparative Schedule of Tax Rate Information 103
	Comparison of Tax Levies and Collection 103
	Delinquent Taxes and Tax Title Liens 104
	Property Acquired by Tax Title Lien Liquidation 104
	Comparative Schedule of Fund Balances 104
	Officials in Office and Surety Bonds 105
	General Comments 106-108
	Appreciation 108
	Recommendations 109

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

PART I

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2017**



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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ADWOA BOACHIE, CPA

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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, 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, 2017 and 2016. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 12.7 percent and 15.2 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2017 and 2016.

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, 2017 and 2016, 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, 2017 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*

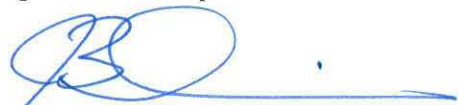
In accordance with Government Auditing Standards, we have also issued our report dated May 8, 2018 on our consideration of the Borough of Montvale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Montvale's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Montvale's internal control over financial reporting and compliance.

LERCH, VINCI & HIGGINS, LLP

LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants

Registered Municipal Accountants



Jeffery C. Bliss

Registered Municipal Accountant

RMA Number CR00429

Fair Lawn, New Jersey
May 8, 2018

BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	A-4	\$ 13,456,154	\$ 8,748,488
Cash - Change Fund	A-5	400	400
Grants Receivable	A-7	<u>770,551</u>	<u>736,061</u>
		<u>14,227,105</u>	<u>9,484,949</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-9	487,708	699,345
Tax Title Liens Receivable	A-10	18,945	17,711
Property Acquired for Taxes at Assessed Valuation	A-11	29,400	29,400
Revenue Accounts Receivable	A-12	74,434	46,452
Due from Animal Control Fund	B-6	5,240	5,830
Due from Other Trust Fund	B-9	<u>7,836</u>	<u>2,535</u>
		<u>623,563</u>	<u>801,273</u>
Deferred Charges			
Special Emergency Authorizations	A-13		22,000
Emergency Authorizations	A-14	<u>425,000</u>	<u>-</u>
		<u>425,000</u>	<u>22,000</u>
Total Assets		<u>\$ 15,275,668</u>	<u>\$ 10,308,222</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-15	\$ 1,021,984	\$ 771,121
Encumbrances Payable	A-16	1,075,608	388,673
Accounts Payable	A-17	85,016	79,894
Due to Length of Service Award Program Fund	B	27,000	29,700
Fees Payable	A-25	10,205	7,632
Prepaid Taxes	A-18	4,437,192	180,143
Tax Overpayments	A-19	136,015	127,117
Local District School Taxes Payable	A-20		198,328
County Taxes Payable - Added and Omitted Taxes	A-23	82,969	130,311
Prepaid Revenues- Sewer Fees	A-26	61,939	85,254
Due to State of New Jersey Senior Citizens' and Veterans' Deductions	A-8	6,525	7,264
Reserve for Tax Appeals	A-27	882,629	650,166
Miscellaneous Reserves	A-28	384,292	384,292
Reserve for Grants:			
Unappropriated	A-29	13,098	3,515
Appropriated	A-30	<u>659,113</u>	<u>700,281</u>
		<u>8,883,585</u>	<u>3,743,691</u>
Reserve for Receivables	A	623,563	801,273
Fund Balance	A-1	<u>5,768,520</u>	<u>5,763,258</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 15,275,668</u>	<u>\$ 10,308,222</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, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 4,075,000	\$ 3,500,000
Miscellaneous Revenue Anticipated	A-2	4,195,902	3,583,004
Receipts from Delinquent Tax	A-2	451,620	227,497
Receipts from Current Taxes	A-2	47,391,306	46,050,189
Non-Budget Revenue	A-2	848,147	786,975
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	602,121	696,468
Outstanding Checks Voided	A-4	964	3,866
Statutory Excess in Animal Control Fund	B-6	5,240	5,830
Accounts Payable Cancelled	A-17	3,293	77,776
Appropriated Grant Reserves Cancelled	A-30	39,376	
Prior Year Interfunds Returned	A	8,365	10,130
Total Income		<u>57,621,334</u>	<u>54,941,735</u>
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	5,119,859	4,559,781
Other Expenses	A-3	9,637,154	9,048,095
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	1,024,512	1,017,852
Capital Improvements	A-3	1,461,539	190,000
Municipal Debt Service	A-3	1,867,950	1,795,950
County Taxes Payable	A-22	5,525,896	5,330,665
Due County for Added Taxes	A-23	82,969	130,311
Local District School Taxes Payable	A-20	15,740,203	15,838,446
Regional High School Tax Payable	A-21	13,387,934	12,827,679
Municipal Open Space Taxes	A-24	103,913	104,371
Prior Year Senior Citizen Deduction Disallowed	A-8	1,067	500
Prior Year Revenues Refunded	A-1		120
Grant Receivables Cancelled	A-1	-	1,575
Interfund Advances Originating	A	13,076	8,365
Total Expenditures		<u>53,966,072</u>	<u>50,853,710</u>
Excess in Revenue		3,655,262	4,088,025
Adjustments to Income Before Fund Balance:			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-14	425,000	-
Statutory Excess to Fund Balance		4,080,262	4,088,025
Fund Balance, January 1	A	<u>5,763,258</u>	<u>5,175,233</u>
		9,843,520	9,263,258
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>4,075,000</u>	<u>3,500,000</u>
Fund Balance, December 31	A	<u>\$ 5,768,520</u>	<u>\$ 5,763,258</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, 2017

	Reference	Budget	Added by NJSA 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 4,075,000	-	\$ 4,075,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	16,250		18,090	\$ 1,840
Other	A-2	20,000		55,095	35,095
Fees and Permits	A-2	175,000		158,124	(16,876)
Fines and Costs - Municipal Court	A-12	150,000		194,637	44,637
Interest and Costs on Taxes	A-12	55,000		73,780	18,780
Uniform Fire Safety Act Local Enforcement					
Fees	A-12	80,000		118,082	38,082
Uniform Construction Code Fees	A-12	850,000		1,013,852	163,852
Energy Receipts Tax	A-12	1,262,378		1,262,378	
Municipal Court Shared Service	A-12	193,602		183,221	(10,381)
PVRSD Special Police Shared Service	A-12		\$ 27,504	27,504	
Uniform Fire Safety Act - LEA Rebate	A-12	10,000		11,645	1,645
Cable TV Franchise Fees	A-12	90,000		127,861	37,861
Sewer Agreement - Marriott Corporation	A-12	85,254		85,254	
Hotel/Motel Tax	A-12	190,000		195,763	5,763
Public and Private Revenues Offset With					
Appropriations					
Clean Communities	A-7		17,689	17,689	
County of Bergen - Chestnut Ridge	A-7		485,446	485,446	
County of Bergen - Huff Park	A-7	21,093		21,093	
FEMA - Generator	A-7		100,000	100,000	
Municipal Alliance on Alcoholism and					
Drug Abuse	A-7	9,876		3,201	(6,675)
Police Donation - KPMG	A-7		10,000	10,000	
Police Donation - Wegmans	A-7		18,680	18,680	
Recycling Tonnage Grant	A-7	7,462		7,462	
Senior Citizens Activities	A-7	3,530		3,530	
Alcohol Education	A-29	1,251		1,251	-
Body Armor Grant - State Share	A-29	2,264	-	2,264	-
Total Miscellaneous Revenues	A-1	3,222,960	659,319	4,195,902	313,623
Receipts from Delinquent Taxes	A-1,A-2	175,000	-	451,620	276,620
Sub-Total General Revenues		7,472,960	659,319	8,722,522	590,243
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes		11,463,762		13,450,536	1,986,774
Minimum Library Tax	A-2	762,833	-	762,833	-
Total Amount to be Raised by Taxes		12,226,595	-	14,213,369	1,986,774
Total General Revenues	A-3	\$ 19,699,555	\$ 659,319	22,935,891	\$ 2,577,017
Non-Budget Revenue	A-1,A-2			848,147	
				\$ 23,784,038	

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, 2017**

Reference

ANALYSIS OF REALIZED REVENUES

Allocation of Current Tax Collections		
Revenue from Current Taxes	A-1, A-9	\$ 47,391,306
Allocated to School, County and Municipal Open Space Taxes	A-20,A-21,A-22,A-23, A-24	<u>34,840,916</u>
Balance for Support of Municipal Budget Appropriation		12,550,390
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,662,979</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 14,213,369</u>
Licenses - Other		
Board of Health	A-12	<u>\$ 55,095</u>
	A-2	<u>\$ 55,095</u>
Fees and Permits		
Borough Clerk	A-12	\$ 4,670
Registrar of Vital Statistics	A-12	577
Planning Board	A-12	58,953
Police	A-12	2,362
Tax Collector - Tax Search Fees	A-12	252
Recreation	A-12	6,710
Construction Code Official -Zoning	A-12	<u>84,600</u>
	A-2	<u>\$ 158,124</u>

BOROUGH OF MONTVALE
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Reference</u>	
ANALYSIS OF NON-BUDGET REVENUE		
Excess Sewer Fees		\$ 395,534
Insurance Dividends		94,167
Sewer Fees		88,584
Traffic Control		70,045
Police Administration		36,819
Cell Tower		34,561
Police Equipment/Vehicles		30,685
Rental of Borough Property		24,000
Miscellaneous		24,070
PILOT - Montvale Commons		10,884
LOSAP Refund - Resignations		9,929
US DOT-Distracted Driver Program Reimbursement		5,500
US DOT-Occupancy Protection Program Reimbursement		5,500
US DOT-Drive Sober Program Reimbursement		5,000
Recycling		4,279
Interest on Deposits		4,240
Sale of Assets		2,746
Police FICA		1,040
Sewer Connection Fees		352
Copies and Duplication Fees		<u>212</u>
	A-2	<u>\$ 848,147</u>
Cash Receipts	A-4	\$ 450,449
Revenue Accounts Receivable	A-12	395,534
Due From Other Trust Fund	B-9	<u>2,164</u>
	A-2	<u>\$ 848,147</u>

**BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<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"					
GENERAL GOVERNMENT FUNCTIONS					
Administrative and Executive					
Salaries and Wages	\$ 216,525	\$ 211,525	\$ 201,944	\$ 9,581	
Other Expenses	159,747	154,747	138,425	16,322	
Mayor and Council					
Salaries and Wages	46,150	46,150	46,147	3	
Other Expenses	16,600	16,600	13,730	2,870	
Borough Clerk					
Salaries and Wages	140,125	140,125	139,593	532	
Other Expenses	20,900	20,900	11,000	9,900	
Elections					
Salaries and Wages	2,500	2,500	905	1,595	
Other Expenses	8,700	8,700	7,276	1,424	
Financial Administration					
Salaries and Wages	237,450	237,200	227,952	9,248	
Other Expenses	22,100	22,100	13,723	8,377	
Audit Services					
Other Expenses	41,500	41,500		41,500	
Assessment of Taxes					
Salaries and Wages	36,450	36,450	36,427	23	
Other Expenses	35,100	26,100	6,538	19,562	
Collection of Taxes					
Salaries and Wages	61,950	61,950	61,900	50	
Other Expenses	20,300	20,300	14,694	5,606	
Legal Services and Costs					
Other Expenses	325,000	325,000	294,391	30,609	
Engineering Services and Costs					
Other Expenses	135,000	135,000	125,441	9,559	
Cable TV Committee					
Salaries and Wages	4,500	4,500	1,651	2,849	
Other Expenses	6,525	6,525	580	5,945	

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, 2017

	<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	\$ 47	\$ 953	
Historian					
Other Expenses	100	100		100	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	89,300	89,300	87,771	1,529	
Other Expenses	218,725	207,475	177,615	29,860	
Zoning Official					
Salaries and Wages	8,975	8,975	8,950	25	
Code Enforcement and Administration					
Property Maintenance					
Salaries and Wages	3,275	3,275	3,260	15	
Insurance					
Life Insurance	2,900	2,900	2,537	363	
General Liability	210,000	460,000	446,716	13,284	
Workers Compensation	166,000	166,000	165,233	767	
Employee Group Health	1,107,700	1,107,700	998,326	109,374	
Employee Group Health -Waiver	35,000	35,000	25,000	10,000	
PUBLIC SAFETY FUNCTIONS					
Fire					
Other Expenses	135,450	135,450	108,310	27,140	
Fire Hydrant Service	210,000	210,000	191,953	18,047	
Police					
Salaries and Wages	3,365,430	3,560,430	3,541,781	18,649	
Other Expenses	140,672	145,672	140,361	5,311	
Purchase of Police Vehicles	67,000	67,000	65,397	1,603	
Police Dispatch					
Other Expenses	40,000	40,000	31,084	8,916	

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, 2017**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Continued)					
First Aid Organization					
Other Expenses	\$ 34,000	\$ 34,000	\$ 22,191	\$ 11,809	
Emergency Management					
Salaries and Wages	5,025	5,025	4,797	228	
Other Expenses	9,450	9,450	6,978	2,472	
Uniform Fire Safety Act					
Salaries and Wages	47,500	47,500	44,858	2,642	
Other Expenses	10,300	10,300	7,631	2,669	
Prosecutor					
Other Expenses	12,720	12,720	12,720		
PUBLIC WORKS FUNCTIONS					
Road Repair and Maintenance					
Other Expenses	10,000	15,000	9,182	5,818	
Sewer System					
Other Expenses	20,000	20,000		20,000	
Garbage and Trash Removal					
Other Expenses	575,000	575,000	551,062	23,938	
Recycling					
Other Expenses	5,000	5,000		5,000	
Public Buildings and Grounds					
Salaries and Wages	27,125	27,125	27,120	5	
Other Expenses	103,500	103,500	77,644	25,856	
Maintenance of All Vehicles					
Other Expenses	45,000	45,000	21,005	23,995	
Municipal Services Act					
Other Expenses	17,500	17,500	15,380	2,120	

**BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 3,000	\$ 3,000	\$ 2,150	\$ 850	
Other Expenses	91,300	91,300	67,055	24,245	
Environmental Commission					
Salaries and Wages	1,450	1,950	1,560	390	
Other Expenses	8,700	8,700	8,269	431	
Animal Regulation					
Other Expenses	12,000	12,000	12,000		
Administration of Public Assistance					
Salaries and Wages	6,650	6,650	6,634	16	
Other Expenses	350	350	291	59	
PARK AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Salaries & Wages	5,450	5,450	5,424	26	
Other Expenses	1,000	1,000		1,000	
Recreation Services and Programs					
Salaries and Wages	41,000	41,000	36,550	4,450	
Other Expenses	22,500	22,500	13,711	8,789	
Senior Citizen Van					
Salaries and Wages	15,000	16,000	15,472	528	
Senior Citizens					
Other Expenses	19,300	19,300	12,125	7,175	
Celebration of Public Events					
Other Expenses	27,500	27,500	24,952	2,548	
OTHER COMMON OPERATING FUNCTIONS					
PEOSHA Compliance					
Other Expenses	2,000	2,000		2,000	
Salary Adjustment Account	10,000				-
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	99,910	99,910	97,151	2,759	
Other Expenses	10,568	13,568	8,378	5,190	

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, 2017**

	<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	\$ 3,480	\$ 3,480	\$ 3,480		
STATE UNIFORM CONSTRUCTION CODE					
Construction Code Officials					
Salaries and Wages	171,800	171,800	159,100	\$ 12,700	
Other Expenses	75,854	75,854	41,941	33,913	
Building Subcode Official					
Salaries and Wages	42,500	42,500	40,474	2,026	
Plumbing Subcode Official					
Salaries and Wages	53,200	53,200	26,203	26,997	
Fire Subcode Official					
Salaries and Wages	17,625	17,625	15,618	2,007	
Electrical Subcode Official					
Salaries and Wages	43,000	43,000	40,702	2,298	
Elevator Subcode Official					
Other Expenses	23,000	32,000	23,000	9,000	
UNCLASSIFIED					
Utilities					
Gasoline	60,000	60,000	39,786	20,214	
Electricity	160,000	160,000	127,272	32,728	
Telephone	45,000	45,000	31,681	13,319	
Natural Gas	55,000	55,000	31,405	23,595	
Street Lighting	125,000	125,000	102,941	22,059	-
Total Operations Within "CAPS"	9,513,906	9,941,906	9,132,551	809,355	-
Contingent	1,000	1,000	-	1,000	-
Total Operations including Contingent - Within "CAPS"	9,514,906	9,942,906	9,132,551	810,355	-
Detail:					
Salaries and Wages	4,802,865	4,984,115	4,882,094	102,021	-
Other Expenses	4,712,041	4,958,791	4,250,457	708,334	-

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, 2017**

	<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>
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
STATUTORY CHARGES					
Social Security System (O.A.S.I.)	\$ 198,000	\$ 192,000	\$ 166,309	\$ 25,691	
Defined Contribution Retirement Plan (DCRP)	12,000	12,000	11,423	577	
Public Employees Retirement System	151,241	151,241	151,241	-	
Police and Fireman's Retirement System	<u>647,271</u>	<u>647,271</u>	<u>647,271</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures Municipal Within "CAPS"	<u>1,008,512</u>	<u>1,002,512</u>	<u>976,244</u>	<u>26,268</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>10,523,418</u>	<u>10,945,418</u>	<u>10,108,795</u>	<u>836,623</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library					
Chap. 82, 541 P.L. 85-	762,833	762,833	762,833	-	
Chap. 82, 541 P.L. 85- Addition	41,073	41,073	32,510	8,563	
Sewerage Processing and Disposal (Sanitation Chap. 74, P.L. 87)					
Contractual	890,000	890,000	887,313	2,687	
Reserve for Tax Appeals	1,000,000	1,000,000	1,000,000		
Recycling Tax	12,000	12,000	8,390	3,610	
Length of Service Award Program (LOSAP)	52,500	52,500	27,000	25,500	
Police Dispatch/911					
Other Expenses	189,000	189,000	189,000	-	

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Interlocal Services Agreements					
Municipal Court Administration					
Salaries & Wages	\$ 108,240	\$ 108,240	\$ 105,247	\$ 2,993	
Other Expenses	67,812	70,812	62,607	8,205	
Prosecutor					
Other Expenses	13,780	13,780	13,780		
Public Defender					
Other Expenses	3,770	3,770	3,770	-	
Pascack Valley Regional School District					
Special Police					
Salaries and Wages		27,504	27,504		
Pascack Valley Department of Public Works					
Department of Public Works					
Other Expenses	1,579,250	1,579,250	1,579,244	6	-
Total Other Operations Excluded from "CAPS"	4,720,258	4,750,762	4,699,198	51,564	-
OPERATIONS - EXCLUDED FROM "CAPS"					
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Recycling Tonnage Grant	7,462	7,462	4,900	2,562	
CDBG-Senior Citizen Activities	3,530	3,530	3,530	-	
Clean Communities Grant		17,689		17,689	
Municipal Alliance Program					
County Share	9,876	9,876	-		\$ 9,876
Local Share	2,469	2,469	800	1,669	
Alcohol Education and Rehab. Grant	1,251	1,251		1,251	
Body Armor Grant-State Share	2,264	2,264	2,264	-	-
Police Donations - KPMG		10,000		10,000	
Police Donations - Wegmans	-	18,680	11,000	7,680	-
Total Public and Private Programs Offset by Revenues	26,852	73,221	22,494	40,851	9,876
Total Operations Excluded from "CAPS"	4,747,110	4,823,983	4,721,692	92,415	9,876
Detail:					
Salaries and Wages	108,240	135,744	132,751	2,993	
Other Expenses	4,638,870	4,688,239	4,588,941	89,422	9,876

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, 2017

	<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	\$ 25,000	\$ 25,000	\$ 25,000		
Road Improvement Fund	500,000	500,000	499,995	\$ 5	
Acquisition of Equipment - Police Department	25,000	25,000	19,987	5,013	
Acquisition of Vehicles & Equipment - UCC	160,000	160,000	138,680	21,320	
Various Office Improvements - UCC	145,000	145,000	78,392	66,608	
County of Bergen - Open Space - Huff Playground	21,093	21,093	21,093	-	
County of Bergen Chestnut Ridge		485,446	485,446		
FEMA-Federal (Generator Project)	-	100,000	100,000	-	-
Total Capital Improvements Excluded from "CAPS"	876,093	1,461,539	1,368,593	92,946	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,630,000	1,630,000	1,630,000	-	
Interest on Bonds	152,455	152,455	152,450		\$ 5
Interest on Notes	85,500	85,500	85,500	-	-
Total Municipal Debt Service Excluded from "CAPS"	1,867,955	1,867,955	1,867,950	-	5
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorization Special Emergency Authorizations- 5 years (N.J.S.40A4-55)	22,000	22,000	22,000	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	22,000	22,000	22,000	-	-
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	7,513,158	8,175,477	7,980,235	185,361	9,881
Subtotal General Appropriations	18,036,576	19,120,895	18,089,030	1,021,984	9,881
Reserve for Uncollected Taxes	1,662,979	1,662,979	1,662,979	-	-
Total General Appropriations	\$ 19,699,555	\$ 20,783,874	\$ 19,752,009	\$ 1,021,984	\$ 9,881
<u>Reference</u>	A-2	A-3	A-1	A,A-1	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

		<u>Appropriated</u> Budget After <u>Modification</u>	<u>Expended</u> Paid or <u>Charged</u>
Budget as Adopted	A-3	\$ 19,699,555	
Appropriation by 40A:4-87	A-2	659,319	
Emergency Appropriation	A-14	<u>425,000</u>	
		<u>\$ 20,783,874</u>	
Cash Disbursed	A-4		\$ 15,839,422
Encumbrances Payable	A-16		1,075,608
Due to LOSAP Fund	B		27,000
Due to General Capital Fund	C-4		125,000
Deferred Charges			
Special Emergency Authorization	A-13		22,000
Reserve for Tax Appeals	A-27		1,000,000
Reserve for Uncollected Taxes	A-2		<u>1,662,979</u>
			<u>\$ 19,752,009</u>

**BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
ANIMAL CONTROL FUND			
Cash	B-3	\$ 17,577	\$ 19,660
OTHER TRUST FUND			
Cash	B-3	3,788,308	2,122,448
UNEMPLOYMENT INSURANCE FUND			
Cash	B-3	272,804	269,191
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-3	336,437	595,870
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investments	B	617,568	508,509
Due from Current Fund	A	27,000	29,700
		644,568	538,209
Total Assets		\$ 5,059,694	\$ 3,545,378

BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
LIABILITIES AND RESERVES			
ANIMAL CONTROL FUND			
Due to State of NJ - Fees Payable	B-4	\$ 18	\$ 18
Due to Current Fund	B-6	5,240	5,830
Reserve for Animal Control Expenditures	B-5	<u>12,319</u>	<u>13,812</u>
		<u>17,577</u>	<u>19,660</u>
OTHER TRUST FUND			
Due to Current Fund	B-9	7,836	2,535
Escrow Deposits	B-10	2,187,742	1,576,761
Payroll Deductions Payable	B-11	48,788	48,043
Miscellaneous Reserves and Deposits	B-12	<u>1,543,942</u>	<u>495,109</u>
		<u>3,788,308</u>	<u>2,122,448</u>
UNEMPLOYMENT INSURANCE FUND			
Due to State of NJ - Claims Payable	B-7	417	1,065
Reserve for Unemployment Compensation Insurance Claims	B-8	<u>272,387</u>	<u>268,126</u>
		<u>272,804</u>	<u>269,191</u>
OPEN SPACE PRESERVATION TRUST FUND			
Encumbrances Payable	B-16	227,270	165,862
Reserve for Open Space Preservation	B-15	<u>109,167</u>	<u>430,008</u>
		<u>336,437</u>	<u>595,870</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP Contributions	B	<u>644,568</u>	<u>538,209</u>
Total Liabilities and Reserves		<u>\$ 5,059,694</u>	<u>\$ 3,545,378</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, 2017**

		<u>Anticipated</u>		
	Budget	Budget After		Excess or
	(Memo)	Modifications	Realized	(Deficit)
Amount to be Raised by Taxation	\$ 102,383	\$ 102,383	\$ 103,914	\$ 1,531
Reserve Funds Utilized	-	322,372	322,372	-
	<u>\$ 102,383</u>	<u>\$ 424,755</u>	<u>\$ 426,286</u>	<u>\$ 1,531</u>
<u>Reference</u>	B-2	B-2	B-15	

**STATEMENT OF EXPENDITURES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

		<u>Appropriated</u>		<u>Expended</u>
	Budget	Budget After	Paid or	
	(Memo)	Modification	Charged	Reserved
Development of Land for Recreation and Conservation				
Other Expenses		\$ 374,495	\$ 374,495	
Maintenance of Land for Recreation and Conservation				
Other Expenses		50,260	50,260	
Reserve for Future Use	<u>\$ 102,383</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
	<u>\$ 102,383</u>	<u>\$ 424,755</u>	<u>\$ 424,755</u>	<u>\$ -</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, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	C-2,C-3	\$ 3,590,536	\$ 4,968,243
Deferred Charges to Future Taxation			
Funded	C-5	3,355,000	4,985,000
Unfunded	C-6	<u>8,084,317</u>	<u>6,280,000</u>
 Total Assets		 <u>\$ 15,029,853</u>	 <u>\$ 16,233,243</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-13	\$ 3,355,000	\$ 4,985,000
Bond Anticipation Notes	C-14	7,600,000	5,700,000
Encumbrances Payable	C-8	1,993,591	3,670,880
Improvement Authorizations			
Funded	C-7	1,250	67,380
Unfunded	C-7	1,656,712	1,479,189
Capital Improvement Fund	C-9	107,741	180,241
Reserve for Payment of Debt	C-10	74,797	5,059
Reserve for Improvement of Field	C-11	90,945	80,645
Reserve for Preliminary Expenses	C-12	700	700
Fund Balance	C-1	<u>149,117</u>	<u>64,149</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 15,029,853</u>	 <u>\$ 16,233,243</u>

There were bonds and notes authorized but not issued on December 31, 2017 and 2016 of \$507,500 and \$580,000, respectively. (Exhibit C-15)

BOROUGH OF MONTVALE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
Balance, January 1	C	\$ 64,149	\$ 22,765
Increased by:			
Cancellation of Funded Improvement Authorizations	C-1		1,025
Premium on Notes Issued	C-2	<u>84,968</u>	<u>40,359</u>
Balance, December 31	C	<u>\$ 149,117</u>	<u>\$ 63,124</u>

**BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2017 AND 2016**

	<u>Reference</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Cash	D-1	\$ 6,362	\$ 5,858
Total Assets		<u>\$ 6,362</u>	<u>\$ 5,858</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance Expenditures	D-2	\$ 6,362	\$ 5,858
Total Liabilities and Reserves		<u>\$ 6,362</u>	<u>\$ 5,858</u>

**BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
ASSETS		
Land and Land Improvements	\$ 17,854,914	\$ 17,755,602
Buildings and Building Improvements	13,557,931	13,305,961
Machinery and Equipment	<u>8,539,645</u>	<u>8,141,920</u>
	<u>\$ 39,952,490</u>	<u>\$ 39,203,483</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 39,952,490</u>	<u>\$ 39,203,483</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Description of Regulatory Basis of Accounting

The financial statements of the Borough of Montvale have been prepared on a basis of accounting in conformity with accounting principles and practices prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a regulatory basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through separate funds, which differ from the fund structure required by GAAP.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB has adopted accounting statements to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America. (GAAP). The municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements.

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough.

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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.

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, 2017 AND 2016

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, 2017 AND 2016**

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.

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.

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 \$5,000 and an estimated useful life in excess of two years.

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

General Fixed Assets 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
Machinery and Equipment

Assessed Value
Replacement Cost

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

No depreciation has been provided for in the financial statements.

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

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 2017 and 2016 the Borough Council increased the original budget by \$1,084,319 and \$21,607. The increase in 2017 was funded by additional aid allotted to the Borough in the amount of \$659,319 and emergency appropriations of \$175,000 for police salaries and \$250,000 for general liability settlement agreement. The increase in 2016 was funded by additional aid allotted to the Borough in the amount of \$21,607. In addition, the governing body approved several budget transfers during 2017 and 2016.

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, the book value of the Borough's deposits were \$21,468,578 and \$16,730,158 and bank and brokerage firm balances of the Borough's deposits amounted to \$21,764,985 and \$16,983,424, 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>2017</u>	<u>2016</u>
Insured	\$ 21,764,985	\$ 16,983,424
	<u>\$ 21,764,985</u>	<u>\$ 16,983,424</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, 2017 and 2016, none of the Borough's bank balances were exposed to custodial credit risk.

B. Investments

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, 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, Local Government investment pools, and agreements for the repurchase of fully collateralized securities, if transacted in accordance with NJSA 40A:5-15.1 (8a-8e). In addition, the Borough is permitted to invest LOSAP Funds with the types of eligible investments authorized in NJAC 5:30-14.19. LOSAP investments include interest bearing accounts or securities, in which savings banks of New Jersey are authorized to invest their funds, New Jersey Cash Management Fund, fixed and variable individual or group annuity contracts, mutual fund shares or fixed and variable life insurance contracts.

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

As of December 31, 2017 and 2016, the Borough had the following investments:

	Fair Value (LOSAP)	
	<u>2017</u>	<u>2016</u>
Investment:		
Lincoln Financial Group LOSAP		
Investment Fund (Unaudited)	\$ <u>617,568</u>	\$ <u>508,509</u>

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, 2017 and 2016, \$617,568 and \$508,509 of the Borough's investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP)	
	<u>2017</u>	<u>2016</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department		
but not in the Borough's name (Unaudited)	\$ <u>617,568</u>	\$ <u>508,509</u>

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). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2017 and 2016, 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 quoted market prices, 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.

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
<u>Current</u>		
Property Taxes	\$ 487,708	\$ 699,345
Tax Title Liens	<u>18,945</u>	<u>17,711</u>
	<u>\$ 506,653</u>	<u>\$ 717,056</u>

In 2017 and 2016, the Borough collected \$451,620 and \$227,497 from delinquent taxes, which represented 63% and 89%, respectively of the prior year delinquent taxes receivable balance.

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2017</u>		<u>2016</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	\$ 13,076	\$ 27,000	\$ 8,365	\$ 29,700
Trust Funds				
Animal Control		5,240		5,830
Other Trust		7,836		2,535
LOSAP Fund	<u>27,000</u>	<u>-</u>	<u>29,700</u>	<u>-</u>
Total	<u>\$ 40,076</u>	<u>\$ 40,076</u>	<u>\$ 38,065</u>	<u>\$ 38,065</u>

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

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

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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>2017</u>			
Current Fund			
Emergency Authorizations	\$ 425,000	\$ 425,000	-
<u>2016</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 22,000	\$ 22,000	-

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:

	<u>2017</u>		<u>2016</u>	
	<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	\$ 4,572,969	\$ 4,175,000	\$ 5,005,197	\$ 4,075,000
Non-Cash Surplus	1,195,551	-	758,061	-
	<u>\$ 5,768,520</u>	<u>\$ 4,175,000</u>	<u>\$ 5,763,258</u>	<u>\$ 4,075,000</u>

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016.

	Balance December 31, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2017</u>
<u>2017</u>				
Land and Land Improvements	\$ 17,755,602	\$ 197,844	\$ (98,532)	\$ 17,854,914
Buildings and Building Improvements	13,305,961	251,970		13,557,931
Machinery and Equipment	<u>8,141,920</u>	<u>397,725</u>	<u>-</u>	<u>8,539,645</u>
	<u>\$ 39,203,483</u>	<u>\$ 847,539</u>	<u>\$ (98,532)</u>	<u>\$ 39,952,490</u>
	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<u>2016</u>				
Land and Land Improvements	\$ 17,905,722		\$ (150,120)	\$ 17,755,602
Buildings and Building Improvements	13,966,991	\$ 22,850	(683,880)	13,305,961
Machinery and Equipment	<u>8,067,595</u>	<u>226,611</u>	<u>(152,286)</u>	<u>8,141,920</u>
	<u>\$ 39,940,308</u>	<u>\$ 249,461</u>	<u>\$ (986,286)</u>	<u>\$ 39,203,483</u>

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2017</u>	<u>2016</u>
Issued		
General		
Bonds and Notes	\$ 10,955,000	\$ 10,685,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>97,980</u>	<u>5,059</u>
Net Debt Issued	10,857,020	10,679,941
Authorized But Not Issued		
General		
Bonds and Notes	<u>507,500</u>	<u>580,000</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,364,520</u>	<u>\$ 11,259,941</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 .504% and .506% at December 31, 2017 and 2016, respectively.

<u>2017</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 11,462,500	\$ 97,980	\$ 11,364,520
School Debt	<u>7,949,538</u>	<u>7,949,538</u>	<u>-</u>
Total	<u>\$ 19,412,038</u>	<u>\$ 8,047,518</u>	<u>\$ 11,364,520</u>
 <u>2016</u>	 <u>Gross Debt</u>	 <u>Deductions</u>	 <u>Net Debt</u>
General Debt	\$ 11,265,000	\$ 5,059	\$ 11,259,941
School Debt	<u>8,776,539</u>	<u>8,776,539</u>	<u>-</u>
Total	<u>\$ 20,041,539</u>	<u>\$ 8,781,598</u>	<u>\$ 11,259,941</u>

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 78,864,882	\$ 77,826,626
Net Debt	<u>11,364,520</u>	<u>11,259,941</u>
Remaining Borrowing Power	<u>\$ 67,500,362</u>	<u>\$ 66,566,685</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>2017</u>	<u>2016</u>
\$3,775,000, 2010 Refunding Bonds, due in annual installments of \$450,000 to \$465,000 through August, 2019, interest at 2.00% to 4.375%	\$ 905,000	\$ 1,370,000
\$3,695,000, 2011 Bonds, due in annual installments of \$425,000 to \$430,000 through December, 2021, interest at 2.00% to 2.50%	1,705,000	2,130,000
\$3,745,000, 2012 Refunding Bonds, due in annual installments of \$740,000 to \$745,000 through October, 2018, interest at 4.00%	<u>745,000</u>	<u>1,485,000</u>
	<u>\$ 3,355,000</u>	<u>\$ 4,985,000</u>

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 is as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>General Interest</u>	<u>Total</u>
2018	\$ 1,625,000	\$ 105,900	\$ 1,730,900
2019	875,000	47,563	922,563
2020	425,000	21,375	446,375
2021	430,000	10,750	440,750
	<u>\$ 3,355,000</u>	<u>\$ 185,588</u>	<u>\$ 3,540,588</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2016 and 2015 were as follows:

	<u>Balance, December 31, 2016</u>	<u>Increases</u>	<u>Reductions</u>	<u>Balance, December 31, 2017</u>	<u>Due Within Year</u>
<u>2017</u>					
General Capital Fund					
Bonds Payable	<u>\$ 4,985,000</u>	<u>\$ -</u>	<u>\$ 1,630,000</u>	<u>\$ 3,355,000</u>	<u>\$ 1,625,000</u>
	<u>Balance, December 31, 2015</u>	<u>Increase</u>	<u>Reductions</u>	<u>Balance, December 31, 2016</u>	<u>Due Within One Year</u>
<u>2016</u>					
General Capital Fund					
Bonds Payable	<u>\$ 6,580,000</u>	<u>\$ -</u>	<u>\$ 1,595,000</u>	<u>\$ 4,985,000</u>	<u>\$ 1,630,000</u>

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2017 and 2016 was as follows:

Bond Anticipation Notes

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

			Balance, December 31, <u>2015</u>	<u>Renewals/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	Balance, December 31, <u>2016</u>
<u>2016</u>						

General Capital Fund

Construction of New Firehouse	1.50%	8/25/2017		\$ 4,300,000		\$ 4,300,000
Various Capital Improvements	1.50%	8/25/2017	-	1,400,000	-	1,400,000
			<u>\$ -</u>	<u>\$ 5,700,000</u>	<u>\$ -</u>	<u>\$ 5,700,000</u>

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

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

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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>2017</u>		
Intersection Improvements	\$ 905,824	2018
Various Road Improvements	430,018	2018
Fieldstone Turf Replacement and Improvements	977,271	2018
New Firehouse Construction	962,579	2018
<u>2016</u>		
New Firehouse Construction	\$ 3,150,268	2018
Sanitary Sewer Extension Project	241,644	2017
Various Road Improvements	202,871	2017
Swim Pool Demolition	150,904	2017

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 \$596,393 and \$590,906 at December 31, 2017 and 2016, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

Changes in Other Long-Term Liabilities

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

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities (Continued)

The Borough's changes in other long-term liabilities for the years ended December 31, 2017 and 2016 were as follows:

	Balance, December 31, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2017</u>	Due Within <u>One Year</u>
<u>2017</u>					
Compensated Absences	\$ 590,906	\$ 5,487		\$ 596,393	\$ -
Net Pension Liability - PERS	7,166,968		\$ 1,405,923	5,761,045	
Net Pension Liability - PFRS	<u>15,150,341</u>	<u>-</u>	<u>2,498,821</u>	<u>12,651,520</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 22,908,215</u>	<u>\$ 5,487</u>	<u>\$ 3,904,744</u>	<u>\$ 19,008,958</u>	<u>\$ -</u>
	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 603,806		\$ 12,900	\$ 590,906	\$ -
Net Pension Liability - PERS	4,988,744	\$ 2,393,202	214,978	7,166,968	
Net Pension Liability - PFRS	<u>12,922,438</u>	<u>2,874,554</u>	<u>646,651</u>	<u>15,150,341</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 18,514,988</u>	<u>\$ 5,267,756</u>	<u>\$ 874,529</u>	<u>\$ 22,908,215</u>	<u>\$ -</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 with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, 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 and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership. 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 work the minimum required hours but earn a base salary of at least \$5,000 are eligible for participation in the DCRP. 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.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits and refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

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.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, which was rolled forward to June 30, 2017, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS is 35.79 percent with an unfunded actuarial accrued liability of \$142.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 48.10 percent and \$23.3 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 58.60 percent and \$17.2 billion, respectively.

The funded status and funding progress of the retirement systems includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.00% for investment rate of return for all the retirement systems except CPFPPF (1.00%) and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 based on 10.0% for PFRS, 7.20% for PERS and 5.50% for DCRP of employee's annual compensation for 2017.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2017 and 2016 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2017, 2016 and 2015, 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>
2017	\$ 646,651	\$ 214,978	\$ 11,423
2016	630,625	191,063	5,887
2015	565,954	249,631	3,932

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

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

Public Employees Retirement System (PERS)

At December 31, 2017 and 2016, the Borough reported a liability of \$5,761,045 and \$7,166,968, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough's proportionate share was .02475 percent, which was an increase of .00055 percent from its proportionate share measured as of June 30, 2016 of .02420 percent.

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2017 and 2016, the pension system has determined the Borough's pension expense to be \$243,186 and \$490,027, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$214,978 and \$191,063, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 135,653		\$ 133,284	
Changes of Assumptions	1,160,652	\$ 1,156,397	1,484,613	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	39,229		273,283	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>365,298</u>	<u>737,542</u>	<u>344,255</u>	<u>\$ 1,008,698</u>
Total	<u>\$ 1,700,832</u>	<u>\$ 1,893,939</u>	<u>\$ 2,235,435</u>	<u>\$ 1,008,698</u>

At December 31, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2018	\$ (47,120)
2019	37,347
2020	17,764
2021	(94,187)
2022	<u>(106,911)</u>
	<u>\$ (193,107)</u>

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	1.65-4.15%	1.65-4.15%
	Based on Age	Based on Age
Thereafter	2.65-5.15%	2.65-5.15%
	Based on Age	Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014, respectively.

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	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%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	5.00%
2016	June 30, 2016	3.98%

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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:

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2040

Municipal Bond Rate * From July 1, 2040
and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00% and 2.98%, respectively) or 1-percentage-point higher (6.00% and 4.98%, respectively) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
2017			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 7,146,967</u>	<u>\$ 5,761,045</u>	<u>\$ 4,606,400</u>
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
2016			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 8,782,283</u>	<u>\$ 7,166,968</u>	<u>\$ 5,833,386</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. 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, 2017 AND 2016

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, 2017 and 2016, the Borough reported a liability of \$12,651,520 and \$15,150,341, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough's proportionate share was .08195 percent, which was an increase of .00264 percent from its proportionate share measured as of June 30, 2016 of .07931 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Borough pension expense to be \$1,493,458 and \$1,894,491, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$646,651 and \$630,625, respectively. At December 31, 2017 and 2016, 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:

	2017		2016	
	<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	\$ 82,076	\$ 74,254		\$ 99,313
Changes of Assumptions	1,560,073	2,071,949	\$ 2,098,447	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	241,421		1,061,554	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>1,018,966</u>	<u>-</u>	<u>962,030</u>	<u>-</u>
Total	<u>\$ 2,902,536</u>	<u>\$ 2,146,203</u>	<u>\$ 4,122,031</u>	<u>\$ 99,313</u>

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2018	\$ 1,065,062
2019	1,301,528
2020	(222,942)
2021	(1,237,912)
2022	<u>(149,403)</u>
	<u>\$ 756,333</u>

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2017 was based on the June 30, 2017 measurement date as determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. The total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

PFRS

	<u>2017</u>	<u>2016</u>
Inflation Rate	2.25%	3.08%
Salary Increases:		
Through 2026	2.10-8.98% Based on Age	2.10-8.98% Based on Age
Thereafter	3.10-9.98% Based on Age	3.10-9.98% Based on Age
Investment Rate of Return	7.00%	7.65%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2016 and July 1, 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</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>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	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%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2017	6.14%
2016	June 30, 2016	5.55%

**BOROUGH OF MONTVALE
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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:

Period of Projected Benefit

Payments for which the Following

Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2057

Municipal Bond Rate * From July 1, 2057
and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, 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, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55%, 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 (5.14% and 4.55 %, respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

	1% Decrease (5.14%)	Current Discount Rate (6.14%)	1% Increase (7.14%)
<u>2017</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 16,669,419</u>	<u>\$ 12,651,520</u>	<u>\$ 9,350,359</u>
	1% Decrease (4.55%)	Current Discount Rate (5.55%)	1% Increase (6.55%)
<u>2016</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 19,535,254</u>	<u>\$ 15,150,341</u>	<u>\$ 11,574,708</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. 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, 2017 AND 2016

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, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,417,077 and \$1,272,253, respectively. For the years ended December 31, 2017 and 2016, 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 \$173,340 and \$162,497, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$70,860 and \$48,749, respectively. 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, 2017 AND 2016

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

The Borough does not provide employee paid post retirement medical benefits to its active or retired employees.

NOTE 14 RISK MANAGEMENT

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

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

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

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

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

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

<u>Year Ended</u> <u>December 31</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Claims</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2017	None	\$ 6,607	\$ 2,346	\$ 272,387
2016	None	6,165	4,566	268,126
2015	\$ 50,000	6,053	5,443	266,527

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016. 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, 2017 and 2016, the Borough reserved \$882,629 and \$650,166, 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, 2017 and 2016, 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, 2017 and 2016, 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 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, 2017 AND 2016**

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

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

The Borough of Montvale has contributed \$1,350 for 2017 and 2016, respectively, for each eligible volunteer fire department member into the Plan. The total Borough contributions were \$27,000 and \$29,700 for 2017 and 2016, respectively.

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

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

Vesting and Benefits

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

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

Reporting Requirements

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

Interlocal Services Agreement

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

The contributions are made in accordance with the plan established by the Borough of Park Ridge pursuant to N.J.S.A.40A:14-183 et seq. Montvale's share of the Tri-Borough Volunteer Ambulance Corps. LOSAP contributions for the year ended December 31, 2017 and 2016 were \$12,924 and \$11,283, respectfully.

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

BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2017 and 2016, 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, 2017 and 2016 the Borough abated property taxes totaling \$70,932 and \$69,608, respectively, under the NJHMFA program. The Borough received \$10,884 and \$9,140 in PILOT payments under this program for the years ended December 31, 2017 and 2016, respectively.

CURRENT FUND

BOROUGH OF MONTVALE
STATEMENT OF CASH - COLLECTOR - TREASURER

Balance, December 31, 2016 \$ 8,748,488

Increased by:

Taxes Receivable	\$ 47,615,794	
Nonbudget Revenue	450,449	
Prepaid Revenues	61,939	
Due from State of NJ - Senior Citizens' and Veterans' Deductions	45,183	
Revenue Accounts Receivable	3,835,566	
Grants Receivable	626,328	
Receipts from Other Trust Fund	22,698	
Receipts from Animal Control Fund	6,220	
Fees Payable	85,919	
Prepaid Taxes	4,437,192	
Reserve for Grants - Unappropriated	13,098	
Petty Cash	800	
Outstanding Checks Voided	964	
Tax Overpayments	<u>11,979</u>	
		<u>57,214,129</u>
		65,962,617

Decreased by Disbursements:

2017 Budget Appropriations	15,839,422	
2016 Appropriation Reserves	149,803	
County Taxes Payable	5,525,896	
Due to County for Added and Omitted Taxes	130,311	
Local School District Tax Payable	15,938,531	
Regional High School Taxes Payable	13,387,934	
Payments to Open Space Preservation Trust Fund	103,914	
Payments to General Capital Fund	125,000	
Accounts Payable	24,320	
Encumbrances Payable	370,403	
Petty Cash	800	
Reserve for Grants - Appropriated	240	
Payments to Animal Control Fund	390	
Payments to Other Trust	25,835	
Payments to LOSAP Fund	29,700	
Tax Overpayments Refunded	3,081	
Fees Payable	83,346	
Tax Appeal Refunds	<u>767,537</u>	
		<u>52,506,463</u>

Balance, December 31, 2017 \$ 13,456,154

**BOROUGH OF MONTVALE
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2016</u>	Balance, December 31, <u>2017</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>2016</u>	Revenue <u>Realized</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2017</u>
NJ Department of Transportation - Magnolia/Terkuile	\$ 75,953		\$ 69,670	\$ 6,283	
NJ Department of Transportation - Safe Routes to School	450,000				\$ 450,000
FEMA - Gabion	199,458				199,458
FEMA - Generator		\$ 100,000			100,000
County of Bergen - Chestnut Ridge		485,446	485,446		
County of Bergen - Curb Program	10,650		10,650		
County of Bergen - Huff Park		21,093			21,093
Clean Communities Grant		17,689	17,689		
Municipal Alliance Program		3,201	3,201		
Police Donations - KPMG		10,000	10,000		
Police Donations - Wegmans		18,680	18,680		
Recycling Tonnage Grant		7,462	7,462		
CDBG-Senior Citizen Activities	-	3,530	3,530	-	-
	<u>\$ 736,061</u>	<u>\$ 667,101</u>	<u>\$ 626,328</u>	<u>\$ 6,283</u>	<u>\$ 770,551</u>

Reserve for Grants-Appropriated \$ 6,283

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

Balance, December 31, 2016	\$ 7,264
Increased by:	
Payment from State of New Jersey	\$ 45,183
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2016	1,067
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2017	<u>1,250</u>
	<u>47,500</u>
	54,764
Decreased by:	
Senior Citizens' Deductions Per Tax Billings	2,250
Veterans' Deductions Per Tax Billings	43,375
Veterans' Deductions Allowed by Tax Collector-2017	<u>2,614</u>
	<u>48,239</u>
Balance, December 31, 2017	<u>\$ 6,525</u>

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

<u>Year</u>	<u>Balance, December 31, 2016</u>	<u>2017 Levy</u>	<u>Senior Citizens' and Veterans' Deductions Disallowed</u>	<u>Collections</u>		<u>Senior Citizens' and Veterans' Deductions Allowed</u>	<u>Cancelled</u>	<u>Transferred to Tax Title Liens</u>	<u>Balance, December 31, 2017</u>
				<u>2016</u>	<u>2017</u>				
2013	\$ 2,443				\$ 2,443				
2014	5,234				5,234				
2015	5,282				5,282				
2016	<u>686,386</u>	<u>-</u>	<u>\$ 1,067</u>	<u>-</u>	<u>438,661</u>	<u>-</u>	<u>\$ 12,388</u>	<u>-</u>	<u>\$ 236,404</u>
	699,345	-	1,067	-	451,620	-	12,388	-	236,404
2017	<u>-</u>	<u>\$ 47,695,925</u>	<u>1,250</u>	<u>\$ 180,143</u>	<u>47,164,174</u>	<u>\$ 48,239</u>	<u>\$ 52,081</u>	<u>\$ 1,234</u>	<u>251,304</u>
	<u>\$ 699,345</u>	<u>\$ 47,695,925</u>	<u>\$ 2,317</u>	<u>\$ 180,143</u>	<u>\$ 47,615,794</u>	<u>\$ 48,239</u>	<u>\$ 64,469</u>	<u>\$ 1,234</u>	<u>\$ 487,708</u>

Analysis of 2017 Property Tax Levy

ANALYSIS OF 2017 PROPERTY TAX LEVY

TAX YIELD

General Purpose Tax	\$ 46,990,843	
Added Taxes (54:4-63.1 et. seq.)	<u>705,082</u>	
		<u>\$ 47,695,925</u>
Local District School Tax	\$ 15,740,203	
Regional High School Tax	13,387,934	
County Taxes:		
County Taxes	\$ 5,295,944	
County Open Space	229,952	
Due County for Added Taxes (54:4-63.1 et. seq.)	<u>82,969</u>	
		5,608,865
Municipal Open Space Tax	102,383	
Municipal Open Space Added Taxes	<u>1,531</u>	
		103,914
Local Tax for Municipal Purposes	11,463,762	
Minimum Library Tax	762,833	
Additional Tax Levied	<u>628,414</u>	
	<u>12,855,009</u>	
		<u>\$ 47,695,925</u>

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

Balance, December 31, 2016	\$ 17,711
Increased by:	
Transfers from Taxes Receivable - 2017	<u>1,234</u>
Balance, December 31, 2017	<u>\$ 18,945</u>

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

Balance, December 31, 2016	<u>\$ 29,400</u>
Balance, December 31, 2017	<u>\$ 29,400</u>

BOROUGH OF MONTVALE
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2016</u>	Accrued in 2017	<u>Collected</u>	Balance, December 31, <u>2017</u>
Borough Clerk				
Licenses - Alcoholic Beverages		\$ 18,090	\$ 18,090	
Fees and Permits - Parking Permits		4,670	4,670	
Board of Health				
Licenses		55,095	55,095	
Register of Vital Statistics				
Fees and Permits		577	577	
Construction Code Official				
Uniform Construction Code Fees		1,013,852	1,013,852	
Fees and Permits - Other		84,600	84,600	
Police				
Fees and Permits		2,362	2,362	
Tax Collector				
Fees and Permits		252	252	
Planning Board				
Fees and Permits		58,953	58,953	
Interest and Costs on Taxes	\$ 1,318	77,103	73,780	\$ 4,641
Recreation				
Fees and Permits		6,710	6,710	
Municipal Court				
Fines and Costs		207,572	194,637	12,935
Municipal Court Shared Service	45,134	185,404	183,221	47,317
Pascack Valley Regional School District				
Special Police Shared Service		27,504	27,504	
Energy Receipts Tax		1,262,378	1,262,378	
Cable TV Franchise Fees		127,861	127,861	
Sewer Agreement - Marriott		85,254	85,254	
Hotel/Motel Tax		195,763	195,763	
Uniform Fire Safety Act:				
Local Enforcement Fees		118,082	118,082	
LEA Rebate		11,645	11,645	-
Excess Sewer User Fees	-	405,075	395,534	9,541
	<u>\$ 46,452</u>	<u>\$ 3,948,802</u>	<u>\$ 3,920,820</u>	<u>\$ 74,434</u>
Cash Received			\$ 3,835,566	
Prepaid Revenues Applied			<u>85,254</u>	
			<u>\$ 3,920,820</u>	

**BOROUGH OF MONTVALE
STATEMENT OF DEFERRED CHARGES
N.J.S. 40A:4-55 SPECIAL EMERGENCY**

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Net Amount</u> <u>Authorized</u>	<u>1/5 of</u> <u>Net Amount</u> <u>Authorized</u>	<u>Balance</u> <u>December 31,</u> <u>2016</u>	<u>Raised in</u> <u>2017</u> <u>Budget</u>	<u>Balance,</u> <u>December 31,</u> <u>2017</u>
4/10/2012	Reassessment of Real Property	\$ 110,000	\$ 22,000	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ -</u>

STATEMENT OF DEFERRED CHARGES

	<u>Balance</u> <u>December 31,</u> <u>2016</u>	<u>Added in</u> <u>2017</u>	<u>Raised in</u> <u>2017</u> <u>Budget</u>	<u>Balance,</u> <u>December 31,</u> <u>2017</u>
Emergency Authorization (40A:4-47)	<u>-</u>	<u>\$ 425,000</u>	<u>\$ -</u>	<u>\$ 425,000</u>
	<u>\$ -</u>	<u>\$ 425,000</u>	<u>\$ -</u>	<u>\$ 425,000</u>

**BOROUGH OF MONTVALE
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, <u>2016</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	<u>Paid or Charged</u>	<u>Transfers/ Cancellations</u>	Balance <u>Lapsed</u>
SALARIES AND WAGES						
Administrative and Executive	\$ 3,544		\$ 3,544			\$ 3,544
Mayor and Council	6		6			6
Borough Clerk	564		564			564
Elections	744		744			744
Financial Administration	1,996		1,996			1,996
Assessment of Taxes	48		48			48
Collection of Taxes	7		7			7
Cable TV Committee	2,186		2,186			2,186
Environmental Commission	280		280			280
Planning Board	2,251		2,251			2,251
Zoning Official	40		40			40
Code Enforcement and Administration Property Maint	27		27			27
Police	26,716		26,716	\$ 14,486		12,230
Emergency Management	937		937			937
Uniform Fire Safety Act	1,880		1,880	1,880		-
Public Buildings and Grounds	6		6			6
Public Health Services	190		190			190
Public Assistance	44		44			44
Parks and Playgrounds	21		21			21
Recreation Services and Programs	8,996		8,996			8,996
Senior Citizen Van	8,519		8,519			8,519
Municipal Court	3,279		3,279			3,279
Municipal Court - Shared Services	3,428		3,428			3,428
Construction Code Official	1,237		1,237			1,237
Building Subcode Official	997		997			997
Plumbing Subcode Official	1,061		1,061			1,061
Uniform Fire Code		\$ 1,880	1,880			1,880
Fire Subcode Official	2,005		2,005			2,005
Electrical Subcode Official	1,089	-	1,089	-	-	1,089
	<u>72,098</u>	<u>1,880</u>	<u>73,978</u>	<u>16,366</u>	<u>-</u>	<u>57,612</u>
OTHER EXPENSES						
Administrative and Executive	26,999		26,999	9,761		17,238
Mayor and Council	4,387		4,387	747		3,640
Borough Clerk	10,027		10,027			10,027
Elections	1,796		1,796			1,796
Financial Administration	5,433		5,433	138		5,295
Audit Services	40,000		40,000	38,000		2,000
Assessment of Taxes	14,340		14,340	528		13,812
Collection of Taxes	4,906		4,906			4,906
Legal Services and Costs	13,965	1,256	15,221			15,221
Engineering Services & Costs	13,916		13,916	4,153		9,763
Cable TV Commission	10,291		10,291			10,291
Historic Preservation Commission	1,000		1,000			1,000
Historian	150		150			150
Environmental Commission	522		522			522
Planning Board	31,991		31,991	18,105		13,886
Fire	20,495	28	20,523			20,523
Fire Hydrant Service	18,711		18,711			18,711
Police	14,448		14,448	8,464		5,984
Police Dispatch	34,954		34,954	25,771		9,183
Police Dispatch/911	1,781		1,781			1,781
First Aid Organization	4,546		4,546	162		4,384
Emergency Management	13,534		13,534			13,534
Uniform Fire Safety Act	1,817		1,817			1,817
Road Repair and Maintenance	10,000		10,000			10,000

BOROUGH OF MONTVALE
STATEMENT OF APPROPRIATION RESERVES

	Balance, December 31, <u>2016</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Transfers/ <u>Cancellations</u>	Balance <u>Lapsed</u>
OTHER EXPENSES (Continued)						
Sewer System	\$ 35,064		\$ 35,064			\$ 35,064
Garbage and Trash Removal	15,994	\$ 11,225	27,219			27,219
Recycling Tax	5,175	81	5,256			5,256
Recycling	3,242	1,200	4,442			4,442
Public Buildings and Grounds	3,497		3,497			3,497
Maintenance of All Vehicles	14,295		14,295			14,295
Municipal Services Act	1,588		1,588	\$ 55		1,533
Public Health Services	17,031		17,031	234		16,797
Administration of Public Assistance	172		172			172
Animal Regulation		1,765	1,765			1,765
Parks and Playgrounds	1,000		1,000			1,000
Recreation Services and Programs	9,767		9,767			9,767
Senior Citizens	11,169		11,169	611		10,558
Celebration of Public Events	125		125			125
PEOSHA Compliance	2,000		2,000			2,000
Utilities:						
Gasoline	19,389		19,389	3,071		16,318
Electricity	23,254		23,254	12,575		10,679
Telephone	9,378		9,378	3,343		6,035
Natural Gas	27,640		27,640	7,572		20,068
Street Lighting	12,329		12,329	2,046		10,283
Contingent	1,000		1,000			1,000
Social Security System	24,136		24,136			24,136
Defined Contribution Retirement Plan	3,113	95	3,208			3,208
Construction Code	2,429		2,429	747		1,682
Elevator Sub-Code		740	740			740
Maintenance of Free Public Library	14,360		14,360	14,360		-
Sewerage Processing and Disposal	321		321			321
Insurance						-
Life Insurance	745		745			745
General Liability	2,553		2,553			2,553
Workers Compensation	3,482		3,482			3,482
Employee Group Health	54,234		54,234	54		54,180
Employee Group Health -Waiver	7,900		7,900			7,900
Length of Service Award Program	20,300		20,300	13,183		7,117
Municipal Court	3,936		3,936	105		3,831
Municipal Court - Shared Services	2,423		2,423	113		2,310
Public Defender	244		244			244
Public Defender - Shared Services	264		264			264
Department of Public Works	26		26			26
Municipal Alliance						-
Local Share	1,833		1,833			1,833
Clean Communities	1,607		1,607		1,607	-
Alcohol Education and Rehab.	1,514		1,514		1,514	-
Drunk Driving Enforce Grant	2,152		2,152	542	1,610	-
Body Armor State Share	1,733		1,733	1,733		-
Improvement - Swim Pool Complex	36,600		36,600			36,600
	-	-	-	-	-	-
	699,023	16,390	715,413	166,173	4,731	544,509
	<u>\$ 771,121</u>	<u>\$ 18,270</u>	<u>\$ 789,391</u>	<u>\$ 182,539</u>	<u>\$ 4,731</u>	<u>\$ 602,121</u>

Cash Disbursed	\$ 149,803
Accounts Payable	32,736
Transfer To Appropriated Grant Reserves	- \$ 4,731
Total	<u>\$ 182,539</u> <u>\$ 4,731</u>

**BOROUGH OF MONTVALE
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2016		\$ 388,673
Increased by:		
Charges to 2017 Budget Appropriations		<u>1,075,608</u>
		1,464,281
Decreased by:		
Cash Payments	\$ 370,403	
Cancellation Restored to Appropriation Reserves	<u>18,270</u>	
		<u>388,673</u>
Balance, December 31, 2017		<u>\$ 1,075,608</u>

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2016		\$ 79,894
Increased by:		
Transferred from Appropriation Reserves		<u>32,736</u>
		112,630
Decreased by:		
Payments	\$ 24,321	
Cancelled to Operations	<u>3,293</u>	
		<u>27,614</u>
Balance, December 31, 2017		<u>\$ 85,016</u>

STATEMENT OF PREPAID TAXES

Balance, December 31, 2016		\$ 180,143
Increased by:		
2018 Prepaid Taxes Received		<u>4,437,192</u>
		4,617,335
Decreased by:		
Application to 2017 Taxes Receivable		<u>180,143</u>
Balance, December 31, 2017		<u>\$ 4,437,192</u>

**BOROUGH OF MONTVALE
STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2016	\$ 127,117
Increased by:	
Overpayments Received	<u>11,979</u>
	139,096
Decreased by:	
Refunded	<u>3,081</u>
Balance, December 31, 2017	<u>\$ 136,015</u>

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Balance, December 31, 2016	\$ 198,328
Increased by:	
2017 Levy	<u>15,740,203</u>
	15,938,531
Decreased by:	
Payments	<u>\$ 15,938,531</u>

**BOROUGH OF MONTVALE
STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE**

Increased by:		
2017 Levy	\$	13,387,934
Decreased by:		
Payments	\$	<u>13,387,934</u>

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
2017 Levy:		
General County Tax	\$	5,295,944
County Open Space Tax		<u>229,952</u>
	\$	5,525,896
Decreased by:		
Payments	\$	<u>5,525,896</u>

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

Balance, December 31, 2016	\$ 130,311
Increased by:	
2017 Added Tax Levy	<u>82,969</u>
	213,280
Decreased by:	
Payments	<u>130,311</u>
Balance, December 31, 2017	<u>\$ 82,969</u>

STATEMENT OF MUNICIPAL OPEN SPACE TAXES

Increased by:		
2017 Levy	\$ 102,383	
2017 Added Levy	<u>1,531</u>	
		\$ 103,914
Decreased by:		
Due to Open Space Preservation Trust Fund		<u>\$ 103,914</u>

STATEMENT OF FEES PAYABLE

	Balance, December 31, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2017</u>
Marriage Licenses	\$ 150	\$ 475	\$ 600	\$ 25
BOCA Fees	<u>7,482</u>	<u>85,444</u>	<u>82,746</u>	<u>10,180</u>
	<u>\$ 7,632</u>	<u>\$ 85,919</u>	<u>\$ 83,346</u>	<u>\$ 10,205</u>

**BOROUGH OF MONTVALE
STATEMENT OF PREPAID REVENUE**

	Balance, December 31, <u>2016</u>	<u>Receipts</u>	Applied to Current Year <u>Revenue</u>	Balance, December 31, <u>2017</u>
Sewer Fees - Marriott	\$ 85,254	\$ 61,939	\$ 85,254	\$ 61,939
	<u>\$ 85,254</u>	<u>\$ 61,939</u>	<u>\$ 85,254</u>	<u>\$ 61,939</u>

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2016	\$ 650,166
Increased by:	
Charges to 2017 Budget Appropriations	<u>1,000,000</u>
	1,650,166
Decreased by:	
Tax Appeal Refunds	<u>767,537</u>
Balance, December 31, 2017	<u>\$ 882,629</u>

**BOROUGH OF MONTVALE
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2016</u>	Balance, December 31, <u>2017</u>
Arbitrage Rebate	\$ 60,000	\$ 60,000
Sale of Municipal Assets	20,326	20,326
Sale of Property - Affordable Housing (CDBG)	300,000	300,000
Security Deposit	<u>3,966</u>	<u>3,966</u>
	<u>\$ 384,292</u>	<u>\$ 384,292</u>

STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance, December 31, <u>2016</u>	<u>Received</u>	Realized as Budgeted <u>Revenue</u>	Balance, December 31, <u>2017</u>
Alcohol Ed and Rehab	\$ 1,251	\$ 772	\$ 1,251	\$ 772
Body Armor Fund	2,264	2,428	2,264	2,428
Recycling Tonnage	<u>-</u>	<u>9,898</u>	<u>-</u>	<u>9,898</u>
	<u>\$ 3,515</u>	<u>\$ 13,098</u>	<u>\$ 3,515</u>	<u>\$ 13,098</u>

BOROUGH OF MONTVALE
STATEMENT OF RESERVES FOR GRANTS - APPROPRIATED

	Balance, December 31, <u>2016</u>	Transfer from Appropriation <u>Reserves</u>	Cash <u>Disbursements</u>	<u>Cancelled</u>	Balance, December 31, <u>2017</u>
Drunk Driving Enforcement Fund	\$ 3,434	\$ 1,610	\$ 240		\$ 4,804
Alcohol Education and Rehab.	1,730	1,514			3,244
Clean Community		1,607			1,607
FEMA - Gabion	199,458				199,458
NJDOT Safe Route to Schools	450,000				450,000
NJDOT - Terkuile Rd.	18,232			\$ 18,232	-
NJDOT - Magnolia Ave.	<u>27,427</u>	<u>-</u>	<u>-</u>	<u>27,427</u>	<u>-</u>
	<u>\$ 700,281</u>	<u>\$ 4,731</u>	<u>\$ 240</u>	<u>\$ 45,659</u>	<u>\$ 659,113</u>

Grants Receivable Cancellation \$ 6,283
Cancelled to Operations 39,376

\$ 45,659

TRUST FUNDS

BOROUGH OF MONTVALE
STATEMENT OF TRUST CASH - TREASURER

	Animal Control Fund	Other Trust Fund	Unemployment Insurance Fund	Open Space Preservation Trust Fund
Balance, December 31, 2016	\$ 19,660	\$ 2,122,448	\$ 269,191	\$ 595,870
Increased by Receipts:				
State Dog License Fees	\$ 799			
Borough Dog License Fees	7,402			
Borough Cat License Fees	1,394			
Late Fees	240			
Interest Earned on Deposits		\$ 6,505		
Escrow Deposits		3,658,743		
Miscellaneous Reserves and Deposits		1,589,662		
Payroll Deductions Payable		3,098,191		
Net Payroll Deposits		3,756,959		
Receipts from Current Fund	390	25,835		\$ 103,914
Employee Contributions-Unemployment	-	-	\$ 6,607	-
	<u>10,225</u>	<u>12,135,895</u>	<u>6,607</u>	<u>103,914</u>
	29,885	14,258,343	275,798	699,784
Decreased by Disbursements:				
Animal Control Expenditures Under R.S. 4:19-15.11	5,289			
Payments to State for Dog License Fees	799			
Payments to State for Unemployment Claims			2,994	
Payments to Current Fund	6,220	22,698		
Escrow Deposits		3,052,103		
Miscellaneous Reserves and Deposits		540,829		
Reserve for Open Space Preservation				197,485
Encumbrances Payable				165,862
Payroll Deductions Payable		3,097,446		
Net Payroll	-	3,756,959	-	-
	<u>12,308</u>	<u>10,470,035</u>	<u>2,994</u>	<u>363,347</u>
Balance, December 31, 2017	<u>\$ 17,577</u>	<u>\$ 3,788,308</u>	<u>\$ 272,804</u>	<u>\$ 336,437</u>

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

Balance, December 31, 2016	\$ 18
Increased by:	
State Fees Collected	<u>799</u>
	817
Decreased by:	
Payments	<u>799</u>
Balance, December 31, 2017	<u>\$ 18</u>

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

Balance, December 31, 2016	\$ 13,812
Increased by:	
Dog License Fees Collected - 2017	\$ 7,402
Cat License Fees Collected	1,394
Late Fees	<u>240</u>
	<u>9,036</u>
	22,848
Decreased by:	
Expenditures Under R.S.4:19-15.11	
Cash Disbursements	5,289
Statutory Excess Due Current Fund	<u>5,240</u>
	<u>10,529</u>
Balance, December 31, 2017	<u>\$ 12,319</u>

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

Balance, December 31, 2016		\$	5,830
Increased by:			
Statutory Excess in Reserve for Animal Control Expenditures	\$	5,240	
Receipts from Current Fund		<u>390</u>	
			<u>5,630</u>
			11,460
Decreased by:			
Payments to Current Fund			<u>6,220</u>
Balance, December 31, 2017		\$	<u>5,240</u>

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

Balance, December 31, 2016	\$ 1,065
Increased by:	
Unemployment Claims Charged to Reserve	<u>2,346</u>
	3,411
Decreased by:	
Cash Disbursements	<u>2,994</u>
Balance, December 31, 2017	<u>\$ 417</u>

EXHIBIT B-8

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

Balance, December 31, 2016	\$ 268,126
Increased by:	
Employee Contributions	<u>6,607</u>
	274,733
Decreased by:	
Unemployment Claims Due to State	<u>2,346</u>
Balance, December 31, 2017	<u>\$ 272,387</u>

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

Balance, December 31, 2016	\$ 2,535
Increased by:	
Receipts from Current Fund	\$ 25,835
Interest on Deposits	<u>2,164</u>
	<u>27,999</u>
	30,534
Decreased by:	
Payments to Current Fund	<u>22,698</u>
Balance, December 31, 2017	<u>\$ 7,836</u>

Analysis of Balance

Due to Current Fund - Developers' Accutrak Trust Account-Interest	\$ 2,196
Due to Current Fund - Recreation	640
Due to Current Fund - Flex Spending Account	<u>5,000</u>
	<u>\$ 7,836</u>

**STATEMENT OF ESCROW DEPOSITS
OTHER TRUST FUND**

Balance, December 31, 2016	\$ 1,576,761
Increased by:	
Developers' Deposits	\$ 3,658,743
Developers' Interest Earned	<u>4,341</u>
	<u>3,663,084</u>
	5,239,845
Decreased by:	
Cash Disbursements	<u>3,052,103</u>
Balance, December 31, 2017	<u>\$ 2,187,742</u>

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

Balance, December 31, 2016	\$ 48,043
Increased by:	
Deposits:	
Payroll Deductions	<u>3,098,191</u>
	3,146,234
Decreased by:	
Disbursements:	
Payroll Deductions	<u>3,097,446</u>
Balance, December 31, 2017	<u>\$ 48,788</u>

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

	Balance, December 31, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2017</u>
Engineering Fee Deposits	\$ 26,348	\$ 5,840	\$ 6,124	\$ 26,064
Planning Board Deposits	20,944			20,944
Affordable Housing Trust Fees	289,013	801,750		1,090,763
POAA Fees	614	328	299	643
Special Police Outside Duty Fees	47,333	612,771	465,888	194,216
Tax Title Lien Premiums	25,600	74,400		100,000
Celebration of Public Events Donations	783			783
Public Defender Fees	143	500		643
Performance Bond Deposits	37,162	4,800	2,800	39,162
DARE Program Donations	1,202			1,202
Uniform Fire Safety Act Penalty Monies	18,601	125		18,726
Fire Training/Equipment UFSA Penalty Monies	3,738	125		3,863
Historic Preservation Donations	1,621			1,621
Flex Spending Account Deposits	2,619	23,633	23,280	2,972
Vision Benefit Deposits	6,300	5,000	8,219	3,081
Retirement Dinner Deposits	221		49	172
Recreation		60,390	34,170	26,220
North/South Park-Improvement Donations	<u>12,867</u>	<u>-</u>	<u>-</u>	<u>12,867</u>
	<u>\$ 495,109</u>	<u>\$ 1,589,662</u>	<u>\$ 540,829</u>	<u>\$ 1,543,942</u>

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

Increased by:	
Net Payroll Deposits	\$ 3,756,959
Decreased by:	
Disbursements - Net Payroll	<u>\$ 3,756,959</u>

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

Increased by:	
2017 Levy	\$ 102,383
2017 Added Levy	<u>1,531</u>
	\$ 103,914
Decreased by:	
Receipts from Current Fund	<u>\$ 103,914</u>

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

Balance, December 31, 2016	\$ 430,008
Increased by:	
Due from Current Fund	
2017 Levy	\$ 102,383
2017 Added Levy	<u>1,531</u>
	<u>103,914</u>
	533,922
Decreased by:	
Cash Disbursements for Expenditures	197,485
Encumbrances Payable	<u>227,270</u>
	<u>424,755</u>
Balance, December 31, 2017	<u>\$ 109,167</u>

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

Balance, December 31, 2016	\$ 165,862
Increased by:	
Charges to Reserve for Open Space Preservation	<u>227,270</u>
	393,132
Decreased by:	
Cash Disbursements	<u>165,862</u>
Balance, December 31, 2017	<u><u>\$ 227,270</u></u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2016		\$ 4,968,243
Increased by:		
Reserve for Improvement of Field	\$ 10,900	
Deferred Charges Unfunded	48,183	
Premium on Notes Issued	84,968	
Bond Anticipation Notes	1,900,000	
Receipts from Current Fund	<u>125,000</u>	
		<u>2,169,051</u>
		7,137,294
Decreased by Disbursements:		
Encumbrances Payable	3,446,158	
Reserve for Improvement of Field	600	
Expenditures Paid for Current Fund	<u>100,000</u>	
		<u>3,546,758</u>
Balance, December 31, 2017		<u><u>\$ 3,590,536</u></u>

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

Fund Balance	\$ 149,117
Encumbrances Payable	1,993,591
Capital Improvement Fund	107,741
Reserve for Payment of Debt	74,797
Reserve for Improvement of Field	90,945
Reserve for Preliminary Expenses	700
Excess Note Proceeds	23,183

Ord.

No.Improvement Description

1405/1409	Construction of New Fire House	(201,914)
1413	Various Capital Improvements - 2016	551,260
1425	Various Capital Improvements - 2017	134,866
1430	Acquisition of Property	<u>666,250</u>
		<u>\$ 3,590,536</u>

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

Increased by:		
Expenditures Paid for Current Fund	\$ 100,000	
Budget Appropriation - Capital Improvement Fund	<u>25,000</u>	
		\$ 125,000
Decreased by:		
Cash Receipts from Current Fund		<u>\$ 125,000</u>

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2016	\$ 4,985,000
Decreased by:	
2017 Budget Appropriations to Pay Bonds	<u>1,630,000</u>
Balance, December 31, 2017	<u>\$ 3,355,000</u>

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

Ord. No.	Improvement Description	Analysis of Balance, December 31, 2017					
		Balance December 31, 2016	2017 Authorizations	Donations	Balance December 31, 2017	Financed by Bond Anticipation Notes	Unexpended Improvement Authorization
1405/1409	Construction of New Firehouse	\$ 4,855,000			\$ 4,855,000	\$ 4,400,000	\$ 253,086
1413	Various Capital Improvements	1,425,000		\$ 48,183	1,376,817	1,376,817	
1425	Various Capital Improvements		\$ 1,187,500		1,187,500	1,135,000	52,500
1430	Acquisition of Property	-	665,000	-	665,000	665,000	-
		<u>\$ 6,280,000</u>	<u>\$ 1,852,500</u>	<u>\$ 48,183</u>	<u>\$ 8,084,317</u>	<u>\$ 7,576,817</u>	<u>\$ 305,586</u>

Bond Anticipation Note	\$ 7,600,000
Less: Excess Note Proceeds Ord No. 1413	<u>23,183</u>
	<u>\$ 7,576,817</u>

Improvement Authorizations - Unfunded	\$ 1,656,712
Less: Unexpended Proceeds	
Ord No. 1413	\$ 551,260
Ord No. 1425	134,866
Ord No. 1430	<u>665,000</u>
	<u>1,351,126</u>
	<u>\$ 305,586</u>

**BOROUGH OF MONTVALE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ord. Amount	Balance		2017 Authorizations					Balance	
			December 31, 2016		Deferred Charges Unfunded	Capital Improvement Fund	Encumbrances Cancelled	Expended	Cancelled	December 31, 2017	
			Funded	Unfunded						Funded	Unfunded
General Improvements											
1153/1177/											
1348	Various Capital Improvements - 2011	\$ 2,100,000	\$ 43,685				\$ 13,132		\$ 56,817		
1386	Various Road Improvements	385,451	10,774					\$ 10,774			
1389	Sanitary Sewer System	65,000	12,921						12,921		
1405/1409	Construction of New Firehouse	5,100,000		\$ 572,141				319,055		\$ 253,086	
1413	Various Capital Improvements - 2016	1,500,000		907,048				355,788			551,260
1425	Various Capital Improvements - 2017	1,250,000			\$ 1,187,500	\$ 62,500		1,062,634			187,366
1430	Acquisition of Property	700,000	-	-	665,000	35,000	-	33,750	-	\$ 1,250	665,000
			\$ 67,380	\$ 1,479,189	\$ 1,852,500	\$ 97,500	\$ 13,132	\$ 1,782,001	\$ 69,738	\$ 1,250	\$ 1,656,712
Encumbrances								\$ 1,782,001			
Reserve for Payment of Debt								-	\$ 69,738		
								\$ 1,782,001	\$ 69,738		

**BOROUGH OF MONTVALE
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2016		\$ 3,670,880
Increased by:		
Charges to Improvement Authorizations		<u>1,782,001</u>
		5,452,881
Decreased by:		
Cancellations Restored to Improvement Authorizations	\$ 13,132	
Payments	<u>3,446,158</u>	
		<u>3,459,290</u>
Balance, December 31, 2017		<u><u>\$ 1,993,591</u></u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2016		\$ 180,241
Increased by:		
Budget Appropriation Due from Current Fund		<u>25,000</u>
		205,241
Decreased by:		
Appropriation to Finance Improvement Authorizations		<u>97,500</u>
Balance, December 31, 2017		<u><u>\$ 107,741</u></u>

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

Balance, December 31, 2016	\$ 5,059
Increased by:	
Cancellation of Funded Improvement Authorizations	<u>69,738</u>
Balance, December 31, 2017	<u>\$ 74,797</u>

STATEMENT OF RESERVE FOR IMPROVEMENT OF FIELD

Balance, December 31, 2016	\$ 80,645
Increased by:	
Cash Receipts - Field Use Fees	<u>10,900</u>
	91,545
Decreased by:	
Cash Disbursements - Refunds	<u>600</u>
Balance, December 31, 2017	<u>\$ 90,945</u>

STATEMENT OF RESERVE FOR PRELIMINARY EXPENSES

Balance, December 31, 2016	<u>\$ 700</u>
Balance, December 31, 2017	<u>\$ 700</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, 2017</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2017</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds	5/11/2010	\$ 3,775,000	8/15/2018	\$ 455,000	2.00-4.375 %	\$ 1,370,000		\$ 465,000	\$ 905,000
			8/15/2019	450,000					
General Improvement	12/16/2011	3,695,000	12/15/18-20	425,000	2.00-2.50	2,130,000		425,000	1,705,000
			12/15/2021	430,000					
Refunding Bonds	7/26/2012	3,745,000	10/1/2018	745,000	4.00	<u>1,485,000</u>	<u>-</u>	<u>740,000</u>	<u>745,000</u>
						<u>\$ 4,985,000</u>	<u>\$ -</u>	<u>\$ 1,630,000</u>	<u>\$ 3,355,000</u>
Paid by Budget Appropriation								<u>\$ 1,630,000</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, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2017</u>
1405/1409	Construction of New Firehouse	8/25/2016	8/25/2016 8/24/2017	8/25/2017 8/24/2018	1.50% 2.25%	\$ 4,300,000	\$ 4,400,000	\$ 4,300,000	\$ 4,400,000
1413	Various Capital Improvements	8/25/2016	8/25/2016 8/24/2017	8/25/2017 8/24/2018	1.50% 2.25%	1,400,000	1,400,000	1,400,000	1,400,000
1425	Various Capital Improvements	8/24/2017	8/24/2017	8/24/2018	2.25%		1,135,000		1,135,000
1430	Acquisition of Property	8/24/2017	8/24/2017	8/24/2018	2.25%	-	665,000	-	665,000
						<u>\$ 5,700,000</u>	<u>\$ 7,600,000</u>	<u>\$ 5,700,000</u>	<u>\$ 7,600,000</u>
						Renewals	\$ 5,700,000	\$ 5,700,000	
						Issued for Cash	1,900,000	-	
							<u>\$ 7,600,000</u>	<u>\$ 5,700,000</u>	

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

<u>Ord.</u> <u>No.</u>	<u>Purpose</u>	Balance December 31, <u>2016</u>	2017 <u>Authorizations</u>	Bond Anticipation <u>Notes Issued</u>	<u>Donations</u>	Balance December 31, <u>2017</u>
1405/1409	Construction of New Firehouse	\$ 555,000		\$ 100,000		\$ 455,000
1413	Various Capital Improvements	25,000			\$ 25,000	
1425	Various Capital Improvements		\$ 1,187,500	1,135,000		52,500
1430	Acquisition of Property	<u>-</u>	<u>665,000</u>	<u>665,000</u>	<u>-</u>	<u>-</u>
		<u>\$ 580,000</u>	<u>\$ 1,852,500</u>	<u>\$ 1,900,000</u>	<u>\$ 25,000</u>	<u>\$ 507,500</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, 2016	\$ 35	\$ 5,823	\$ 5,858
Increased by:			
Receipts	<u>-</u>	<u>7,066</u>	<u>7,066</u>
	35	12,889	12,924
Decreased by:			
Disbursements	<u>-</u>	<u>6,562</u>	<u>6,562</u>
Balance, December 31, 2017	<u>\$ 35</u>	<u>\$ 6,327</u>	<u>\$ 6,362</u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Balance, December 31, 2016	\$ 35	\$ 5,823	\$ 5,858
Increased by:			
Revenues	<u>-</u>	<u>7,066</u>	<u>7,066</u>
	35	12,889	12,924
Decreased by:			
Expenditures	<u>-</u>	<u>6,562</u>	<u>6,562</u>
Balance, December 31, 2017	<u>\$ 35</u>	<u>\$ 6,327</u>	<u>\$ 6,362</u>

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

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
State Aid Payments		\$ 6,300	\$ 6,300
Supplemental Security Income:			
State/Municipal Refund	<u>-</u>	<u>766</u>	<u>766</u>
Total Revenues/Receipts	<u>\$ -</u>	<u>\$ 7,066</u>	<u>\$ 7,066</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Current Year Assistance (Reported):			
Maintenance Payments		\$ 1,162	\$ 1,162
Temporary Rental Assistance	<u>-</u>	<u>5,400</u>	<u>5,400</u>
Total Expenditures/Disbursements	<u>\$ -</u>	<u>\$ 6,562</u>	<u>\$ 6,562</u>

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

**PART II
GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31, 2016**



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
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CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
ADWOA BOACHIE, 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 8, 2018. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

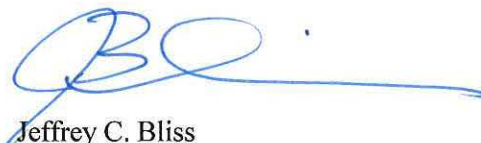
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of Montvale in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough of Montvale's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Montvale's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LERCH, VINCI & HIGGINS, LLP

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



Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429

Fair Lawn, New Jersey
May 8, 2018

BOROUGH OF MONTVALE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

<u>Federal Funding Department</u>	<u>State Account Number</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Grant Award Amount</u>	<u>2017 Grant Receipts</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Adjustments/ (Cancellations)</u>	<u>Balance, December 31, 2017</u>	<u>(Memo) Cumulative Expenditures</u>
U.S. Department of Housing and Urban Development (Passed Through County Dept. of Community Development) Community Development Block Grants Public Services - Senior Citizens	N/A	14.218	2016	\$ 3,530	\$ 3,530		\$ 3,530	\$ 3,530			\$ 3,530
U.S. Department of Homeland Security (Passed Through State Department of Law and Public Safety) FEMA Disaster Assistance Grant - Gabion Walls FEMA Generator	4021-DR-NJ	97.036	2015 2017	199,458 100,000		\$ 199,458	100,000	100,000		\$ 199,458	- 100,000
U.S. Department of Transportation (Passed Through State Department of Law and Public Safety) Occupancy Protection Grant Impaired Driving Countermeasure Distracted Driving Incentive		20.616	2017 2017 2017	5,500 5,000 5,500	5,500 5,000 5,500	-	5,500 5,000 5,500	5,500 5,000 5,500	-	-	5,500 5,000 5,500
						<u>\$ 199,458</u>	<u>\$ 119,530</u>	<u>\$ 119,530</u>	<u>\$ -</u>	<u>\$ 199,458</u>	

Note - This schedule was 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, 2017

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2017 Grant Receipts</u>	<u>Balance, January 1, 2017</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Refunds (Cancellations)</u>	<u>Balance, December 31, 2017</u>	<u>(Memo) Cumulative Expenditures</u>
Clean Communities Grant	042-4900-765-004	2017	\$ 17,689	\$ 17,689		\$ 17,689			\$ 17,689	
		2016	20,821		\$ 1,607				1,607	\$ 19,214
Recycling Tonnage Grant	042-4900-752-001	2017	9,898	9,898					-	9,898
		2016	7,462			7,462	\$ 4,900		2,562	4,900
Municipal Drug and Alcohol Alliance Program(Passed Through County of Bergen)	N/A	2016	3,201	3,201		3,201		\$ (3,201)		
Body Armor Grant	066-1020-718-001	2017	2,428	2,428						
		2016	2,264			2,264	2,264			2,264
		2015	2,352		1,733		1,733		-	2,352
Alcohol Education and Rehabilitation Fund	098-9735-760-001	2017	772	772						
		2016	2,037		786	1,251			2,037	-
		2015	1,965		1,965				1,965	-
		2014	236		36				36	200
		2013	580		457				457	123
Drunk Driving Enforcement Fund	1110-448-031020-22	2016	4,452		2,152		542		1,610	2,842
		2014	9,402		3,434		240		3,194	6,208
Dept. of Human Services General Assistance	054-7500-150-100-121/250	2017	6,300	6,300	5,823	6,300	6,562	766	6,327	6,562
Department of Transportation Municipal Aid Magnolia Ave	078-6320-480-AL5	2015	149,000	69,670	27,427			(27,427)	-	121,573
Terkuile Rd.	078-6320-480-ALW	2015	149,000		18,232			(18,232)	-	130,768
Safe Route to School	078-6320-480-XXX	2015	450,000		450,000	-	-	-	450,000	-
					<u>\$ 513,652</u>	<u>\$ 38,167</u>	<u>\$ 16,241</u>	<u>\$ (48,094)</u>	<u>\$ 487,484</u>	

Note - This schedule was 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, 2017

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	\$ 119,530	\$ 31,867	\$ 151,397
Public Assistance Fund	-	6,300	6,300
	<u>\$ 119,530</u>	<u>\$ 38,167</u>	<u>\$ 157,697</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, 2017**

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, 2017**

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, 2017**

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, 2017

**BOROUGH OF MONTVALE
SUPPLEMENTARY DATA**

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

	<u>Year 2017</u>			<u>Year 2016</u>	
	<u>Amount</u>	<u>Percent</u>		<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED					
Fund Balance Utilized	\$ 4,075,000	7.08 %	\$	3,500,000	6.37 %
Miscellaneous - From Other Than Local					
Property Tax Levies	5,044,049	8.75		4,369,979	7.95
Collection of Delinquent Taxes					
Tax and Tax Title Liens	451,620	0.78		227,497	0.41
Collection of Current Tax Levy	47,391,306	82.25		46,050,189	83.82
Other Credits to Income	659,359	1.14		794,070	1.45
	<u>57,621,334</u>	<u>100.00</u> %		<u>54,941,735</u>	<u>100.00</u> %
EXPENDITURES					
Budget Expenditures					
Municipal Purposes	19,111,014	35.41 %		16,611,678	32.67 %
County Taxes	5,608,865	10.39		5,460,976	10.74
Local & Regional School Taxes	29,128,137	53.98		28,666,125	56.37
Municipal Open Space Taxes	103,913	0.19		104,371	0.21
Other Expenditures	14,143	0.03		10,560	0.02
	<u>53,966,072</u>	<u>100.00</u> %		<u>50,853,710</u>	<u>100.00</u> %
Excess in Revenue	3,655,262			4,088,025	
Adjustments to Income before Fund Balance:					
Expenditures included above which are by					
Statute Deferred Charges to Budget of					
Succeeding Year	425,000			-	
Statutory Excess to Fund Balance	4,080,262			4,088,025	
Fund Balance, January 1	<u>5,763,258</u>			<u>5,175,233</u>	
	9,843,520			9,263,258	
Less: Utilization as Anticipated Revenue	<u>4,075,000</u>			<u>3,500,000</u>	
Fund Balance, December 31	<u>\$ 5,768,520</u>			<u>\$ 5,763,258</u>	

**BOROUGH OF MONTVALE
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rate</u>	\$ <u>2.303</u>	\$ <u>2.260</u>	\$ <u>2.201</u>
<u>Apportionment of Tax Rate</u>			
Municipal	0.562	0.549	0.540
Library	0.037	0.036	0.035
Municipal Open Space	0.005	0.005	0.005
County	0.260	0.259	0.262
County Open Space	0.011	0.003	0.003
Local School	0.772	0.778	0.747
Regional High School	0.656	0.630	0.609

Assessed Valuation

2017	\$ <u>2,040,418,647</u>	
2016		\$ <u>2,037,265,475</u>
2015		\$ <u>2,056,162,005</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>
2017	\$ 47,695,925	\$ 47,391,306	99.36%
2016	47,142,888	46,325,189	98.26%
2015	45,649,731	45,255,293	99.13%

**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>
2017	\$ 487,708	\$ 18,945	\$ 506,653	1.06%
2016	699,345	17,711	717,056	1.52%
2015	239,956	16,500	256,456	0.56%

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>
2017	\$29,400
2016	29,400
2015	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	2017	\$5,768,520	\$4,175,000
	2016	5,763,258	4,075,000
	2015	5,175,233	3,500,000
	2014	6,707,625	4,750,000
	2013	5,686,888	2,800,000

**BOROUGH OF MONTVALE
SUPPLEMENTARY DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>
Michael Ghassali	Mayor
Rose Curry	Councilwoman
Doug Arendacs	Councilman
Dieter Koelling	Councilman
Michael Weaver	Councilman
Elizabeth Grogger	Councilwoman
Timothy Lane	Councilman
Maureen Iarossi-Alwan	Borough Clerk/Administrator
Kenneth Sesholtz	Chief Financial Officer
Phillip Boggia	Attorney
Carl Bello	Treasurer
Fran Scordo	Tax Collector
Michael Leposky	Assessor
Jeffrey Fette	Building Code Official
Jeremy Abrams	Chief of Police
Katherine Bowen	Director of Welfare
Susan Ruttenber	Library Director
Harry D. Norton, Jr.	Magistrate
Catherine Cullen	Court Administrator and Violations Clerk (1/1/17 through 11/28/17)
Ann Levitzki	Court Administrator and Violations Clerk (11/28/17 to Present)
Christopher Botta	Prosecutor
Maser Consulting, PA	Engineer

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

BOROUGH OF MONTVALE LETTER OF COMMENTS AND RECOMMENDATIONS

GENERAL COMMENTS

Prior Year Finding Unresolved

- **Finding** – Our audit of accrued time for compensated absences (unused sick and vacation days) revealed that there were minor differences in the recording of days used per the supporting attendance calendars, time cards and attendance reports. We also noted the January 2017 supporting attendance calendar was not available for audit.

Recommendation – Continued efforts be made to ensure attendance records and supporting reports be in agreement and supporting attendance calendars be retained and available for audit.

Current Year Findings

- **Finding** – Our audit revealed expenditures for the Borough's intersection improvement project were charged to and paid directly from developers escrow deposits in the Other Trust Fund.

Recommendation – Developers contributions toward Borough capital projects be appropriated by capital ordinance or as a special item of revenue and appropriation (Chapter 159) in the budget.

- **Finding** – Our audit of COAH fees charged revealed the following:
 - Instances were noted where 50% of the estimated COAH fees was not paid in advance in accordance with the fee ordinance.
 - Assessed values utilized in the final fee calculation were not in agreement with the added assessment values per the added assessment tax duplicate.

Recommendation – COAH fees be calculated and collected in accordance with the Borough's approved fee ordinance.

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 2017. 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.

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

GENERAL COMMENTS

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

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

Emergency Generator
Intersection Improvements
Montvale Roof Replacement
2017 Road Improvements
Upper Saddle River Road Improvements
Fieldstone Turf Replacement

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.

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 2, 2017 adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

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

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

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

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

GENERAL COMMENTS

Delinquent Taxes and Tax Title Liens

The last tax sale was held on October 26, 2017.

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>
2017	2
2016	2
2015	2

APPRECIATION

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

BOROUGH OF MONTVALE
LETTER OF COMMENTS AND RECOMMENDATIONS

RECOMMENDATIONS

It is recommended that:

- * 1. Continued efforts be made to ensure attendance records and supporting reports be in agreement and supporting attendance calendars be retained and available for audit.
- 2. Developers contributions toward Borough capital projects be appropriated by capital ordinance or as a special item of revenue and appropriation (Chapter 159) in the budget.
- 3. COAH fees be calculated and collected in accordance with the Borough's approved fee ordinance.

* * * * *

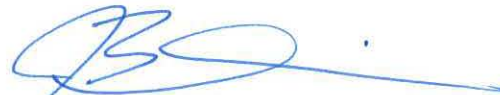
A review was performed on all prior year recommendations and corrective action was taken on all, except the recommendation denoted with an asterisk (*).

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