

**BOROUGH OF MONTVALE**  
**BERGEN COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2016**

# BOROUGH OF MONTVALE

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

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**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
YEAR ENDED DECEMBER 31, 2016**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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## INDEPENDENT AUDITOR’S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Montvale, as of December 31, 2016 and 2015, 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, 2016, 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, 2016 and 2015, 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, 2016 and 2015. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 15 percent and 13 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2016 and 2015.

***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, 2016 and 2015, 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, 2016 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 9, 2017 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 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 9, 2017



**BOROUGH OF MONTVALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash	A-4	\$ 8,748,488	\$ 8,699,075
Cash - Change Fund	A-5	400	400
Grants Receivable	A-7	<u>736,061</u>	<u>1,303,361</u>
		<u>9,484,949</u>	<u>10,002,836</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-9	699,345	239,956
Tax Title Liens Receivable	A-10	17,711	16,500
Property Acquired for Taxes at Assessed Valuation	A-11	29,400	29,400
Revenue Accounts Receivable	A-12	46,452	47,611
Due from Animal Control Fund	B-6	5,830	5,097
Due from Other Trust Fund	B-10	<u>2,535</u>	<u>5,033</u>
		<u>801,273</u>	<u>343,597</u>
Deferred Charges			
Special Emergency Authorizations	A-13	22,000	44,000
Emergency Authorizations	A-14	<u>-</u>	<u>50,000</u>
		<u>22,000</u>	<u>94,000</u>
Total Assets		<u>\$ 10,308,222</u>	<u>\$ 10,440,433</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	A-3,A-15	\$ 771,121	\$ 1,596,378
Encumbrances Payable	A-16	388,673	892,302
Accounts Payable	A-17	79,894	214,634
Due to Length of Service Award Program Fund	B	29,700	29,700
Fees Payable	A-25	7,632	14,890
Prepaid Taxes	A-18	180,143	313,649
Tax Overpayments	A-19	127,117	15,071
Local District School Taxes Payable	A-20	198,328	
County Taxes Payable - Added and Omitted Taxes	A-23	130,311	47,390
Prepaid Revenues- Sewer Fees	A-26	85,254	54,426
Due to State of New Jersey Senior Citizens' and Veterans' Deductions	A-8	7,264	10,618
Reserve for Tax Appeals	A-27	650,166	1,284,768
Miscellaneous Reserves	A-28	384,292	384,292
Reserve for Grants:			
Unappropriated	A-29	3,515	3,080
Appropriated	A-30	<u>700,281</u>	<u>60,405</u>
		<u>3,743,691</u>	<u>4,921,603</u>
Reserve for Receivables	A	801,273	343,597
Fund Balance	A-1	<u>5,763,258</u>	<u>5,175,233</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 10,308,222</u>	<u>\$ 10,440,433</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, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 3,500,000	\$ 4,750,000
Miscellaneous Revenue Anticipated	A-2	3,583,004	4,030,857
Receipts from Delinquent Tax	A-2	227,497	247,461
Receipts from Current Taxes	A-2	46,050,189	44,605,293
Non-Budget Revenue	A-2	786,975	622,196
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	696,468	872,416
Outstanding Checks Voided	A-4	3,866	
Statutory Excess in Animal Control Fund	B-6	5,830	5,097
Accounts Payable Cancelled	A-17	77,776	12,819
Appropriated Grant Reserves Cancelled	A-1		14,548
Prior Year Interfunds Returned	A	<u>10,130</u>	<u>4,780</u>
 Total Income		 <u>54,941,735</u>	 <u>55,165,467</u>
<b>EXPENDITURES</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	4,559,781	4,422,512
Other Expenses	A-3	9,048,095	8,013,203
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	1,017,852	952,956
Capital Improvements	A-3	190,000	3,330,365
Municipal Debt Service	A-3	1,795,950	1,824,100
County Taxes Payable	A-22	5,330,665	5,426,898
Due County for Added Taxes	A-23	130,311	47,390
Local District School Taxes Payable	A-20	15,838,446	15,355,756
Regional High School Tax Payable	A-21	12,827,679	12,515,347
Municipal Open Space Taxes	A-24	104,371	103,702
Prior Year Senior Citizen Deduction Disallowed	A-8	500	500
Prior Year Revenues Refunded	A-4	120	
Grant Receivables Cancelled	A-7	1,575	
Interfund Advances Originating	A	<u>8,365</u>	<u>5,130</u>
 Total Expenditures		 <u>50,853,710</u>	 <u>51,997,859</u>
 Excess in Revenue		 4,088,025	 3,167,608
<b>Adjustments to Income Before Fund Balance:</b>			
Expenditures included above which are by Statute Deferred Charges to Budget of Succeeding Year	A-1	<u>-</u>	<u>50,000</u>
Statutory Excess to Fund Balance		4,088,025	3,217,608
 Fund Balance, January 1	A	 <u>5,175,233</u>	 <u>6,707,625</u>
		9,263,258	9,925,233
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>3,500,000</u>	<u>4,750,000</u>
Fund Balance, December 31	A	<u>\$ 5,763,258</u>	<u>\$ 5,175,233</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, 2016**

	<u>Reference</u>	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 3,500,000	-	\$ 3,500,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	16,250		17,590	\$ 1,340
Other	A-2	20,000		40,520	20,520
Fees and Permits	A-2	180,000		185,345	5,345
Fines and Costs - Municipal Court	A-12	145,000		206,237	61,237
Interest and Costs on Taxes	A-12	55,000		70,862	15,862
Interest on Investments and Deposits	A-2	200		390	190
Uniform Fire Safety Act Local Enforcement Fees	A-12	80,000		113,840	33,840
Uniform Construction Code Fees	A-12	260,000		1,060,297	800,297
Energy Receipts Tax	A-12	1,262,378		1,262,378	
Municipal Court Shared Service	A-12	182,528		181,260	(1,268)
Uniform Fire Safety Act - LEA Rebate	A-12	10,000		12,078	2,078
Cable TV Franchise Fees	A-12	90,000		126,182	36,182
Sewer Agreement - Marriott Corporation	A-12	54,426		54,426	
Hotel/Motel Tax	A-12	190,000		207,397	17,397
Public and Private Revenues					
Offset with Appropriations:					
Clean Communities Grant	A-7		\$ 20,821	20,821	
Drunk Driving Enforcement Grant	A-7	4,452		4,452	
Municipal Alliance on Alcoholism and Drug Abuse	A-7	9,876		2,546	(7,330)
Recycling Tonnage Grant	A-7	8,392		8,392	
CDBG-Senior Citizens Activities	A-7	4,125		4,125	
Alcohol Education and Rehab. Grant	A-29	728	786	1,514	
Body Armor Grant - State Share	A-29	2,352	-	2,352	-
Total Miscellaneous Revenues	A-1	<u>2,575,707</u>	<u>21,607</u>	<u>3,583,004</u>	<u>985,690</u>
Receipts from Delinquent Taxes	A-1,A-9	<u>175,000</u>	-	<u>227,497</u>	<u>52,497</u>
Sub-Total General Revenues		<u>6,250,707</u>	<u>21,607</u>	<u>7,310,501</u>	<u>1,038,187</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes		11,199,138		12,671,156	1,472,018
Minimum Library Tax		<u>729,004</u>	-	<u>729,004</u>	-
Total Amount to be Raised by Taxes	A-2	<u>11,928,142</u>	-	<u>13,400,160</u>	<u>1,472,018</u>
Total General Revenues	A-3	<u>\$ 18,178,849</u>	<u>\$ 21,607</u>	20,710,661	<u>\$ 2,510,205</u>
Non-Budget Revenue	A-1,A-2			<u>786,975</u>	
				<u>\$ 21,497,636</u>	

**BOROUGH OF MONTVALE**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Current Taxes	A-9	\$ 46,325,189
Transferred to Reserve for Tax Appeals	A-27	<u>275,000</u>
Revenue Realized	A-1	46,050,189
Allocated to School, County and Municipal Open Space Taxes	A-20,A-21,A-22,A-23, A-24	<u>34,231,472</u>
Balance for Support of Municipal Budget Appropriation		11,818,717
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,581,443</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 13,400,160</u>
Licenses - Other		
Board of Health	A-12	<u>\$ 40,520</u>
	A-2	<u>\$ 40,520</u>
Fees and Permits		
Borough Clerk	A-12	\$ 4,300
Registrar of Vital Statistics	A-12	718
Planning Board	A-12	29,689
Police	A-12	2,137
Tax Collector - Tax Search Fees	A-12	172
Recreation	A-12	72,855
Construction Code Official	A-12	<u>75,474</u>
	A-2	<u>\$ 185,345</u>
Interest on Investments and Deposits		
Due from Other Trust Fund	B-10	<u>\$ 390</u>
	A-2	<u>\$ 390</u>

**BOROUGH OF MONTVALE  
STATEMENT OF REVENUES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

Reference

ANALYSIS OF NON-BUDGET REVENUE

Excess Sewer Fees	\$ 393,331
Traffic Control	106,493
Sewer Fees	80,127
Insurance Dividends	41,258
Cell Tower	36,034
School Officer	30,000
PILOT - Montvale Commons	27,134
Rental of Borough Property	24,000
Sale of Assest	15,836
US Department of Transportation-Drive Sober Reimbursement	10,000
Police Testing	7,400
Sewer Connection Fees	5,517
US Department of Transportation-Click it Or Ticket Reimbursement	4,800
Miscellaneous	2,012
Recycling	1,381
Administration Fee - N.J. Seniors' and Veterans' Deductions	960
Copies and Duplication Fees	<u>692</u>
	A-2,A-4
	<u>\$ 786,975</u>

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Administrative and Executive					
Salaries and Wages	\$ 180,125	\$ 190,125	\$ 186,581	\$ 3,544	
Other Expenses	159,900	159,900	132,901	26,999	
Mayor and Council					
Salaries and Wages	46,150	46,150	46,144	6	
Other Expenses	16,800	16,800	12,413	4,387	
Borough Clerk					
Salaries and Wages	136,500	136,500	135,936	564	
Other Expenses	20,700	20,700	10,673	10,027	
Elections					
Salaries and Wages	2,000	2,000	1,256	744	
Other Expenses	8,850	8,850	7,054	1,796	
Financial Administration					
Salaries and Wages	209,400	209,400	207,404	1,996	
Other Expenses	21,900	21,900	16,467	5,433	
Audit Services					
Other Expenses	40,000	40,000		40,000	
Assessment of Taxes					
Salaries and Wages	35,500	35,500	35,452	48	
Other Expenses	35,450	30,450	16,110	14,340	
Collection of Taxes					
Salaries and Wages	60,250	60,250	60,243	7	
Other Expenses	20,350	20,350	15,444	4,906	
Legal Services and Costs					
Other Expenses	295,000	325,000	311,035	13,965	
Engineering Services and Costs					
Other Expenses	132,000	132,000	118,084	13,916	
Cable TV Committee					
Salaries and Wages	4,500	4,500	2,314	2,186	
Other Expenses	13,250	13,250	2,959	10,291	

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, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
GENERAL GOVERNMENT FUNCTIONS (Continued)					
Historic Preservation Commission					
Other Expenses	\$ 1,000	\$ 1,000		\$ 1,000	
Historian					
Other Expenses	180	180	\$ 30		150
Municipal Land Use Law					
Planning Board					
Salaries and Wages	84,050	86,050	83,799		2,251
Other Expenses	154,370	114,370	82,379		31,991
Zoning Official					
Salaries and Wages	8,750	8,750	8,710		40
Code Enforcement and Administration					
Property Maintenance					
Salaries and Wages	3,200	3,200	3,173		27
Insurance					
Life Insurance	3,000	3,000	2,255		745
General Liability	174,000	174,000	171,447		2,553
Workers Compensation	179,000	179,000	175,518		3,482
Employee Group Health	1,011,000	1,011,000	956,766		54,234
Employee Group Health -Waiver	35,000	35,000	27,100		7,900
PUBLIC SAFETY FUNCTIONS					
Fire					
Other Expenses	133,500	133,500	113,005		20,495
Fire Hydrant Service	210,000	210,000	191,289		18,711
Police					
Salaries and Wages	3,120,751	3,120,751	3,094,035		26,716
Other Expenses	138,128	138,128	123,680		14,448
Purchase of Police Vehicles	63,000	63,000	63,000		-
Police Dispatch					
Other Expenses	40,000	40,000	5,046		34,954

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<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	\$ 29,454	\$ 4,546	
Emergency Management					
Salaries and Wages	3,500	3,500	2,563	937	
Other Expenses	17,300	17,300	3,766	13,534	
Uniform Fire Safety Act					
Salaries and Wages	47,500	47,500	45,620	1,880	
Other Expenses	10,300	10,300	8,483	1,817	
Prosecutor					
Other Expenses	12,480	12,480	12,480		
PUBLIC WORKS FUNCTIONS					
Road Repair and Maintenance					
Other Expenses	10,000	10,000		10,000	
Sewer System					
Other Expenses	10,000	40,000	4,936	35,064	
Garbage and Trash Removal					
Other Expenses	565,000	565,000	549,006	15,994	
Recycling					
Other Expenses	5,000	5,000	1,758	3,242	
Public Buildings and Grounds					
Salaries and Wages	26,400	26,400	26,394	6	
Other Expenses	50,000	55,000	51,503	3,497	
Maintenance of All Vehicles					
Other Expenses	35,000	35,000	20,705	14,295	
Municipal Services Act					
Other Expenses	17,000	17,000	15,412	1,588	



**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<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	\$ 2,600	\$ 2,600	\$ 2,410	\$ 190	
Other Expenses	88,000	85,000	67,969	17,031	
Environmental Commission					
Salaries and Wages	1,450	1,450	1,170	280	
Other Expenses	1,050	1,050	528	522	
Animal Regulation					
Other Expenses	12,000	12,000	12,000		
Administration of Public Assistance					
Salaries and Wages	6,500	6,500	6,456	44	
Other Expenses	420	420	248	172	
PARK AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Salaries & Wages	5,300	5,300	5,279	21	
Other Expenses	1,000	1,000		1,000	
Recreation Services and Programs					
Salaries and Wages	84,750	84,750	75,754	8,996	
Other Expenses	21,500	21,500	11,733	9,767	
Senior Citizen Van					
Salaries and Wages	23,000	23,000	14,481	8,519	
Senior Citizens .					
Other Expenses	16,800	16,800	5,631	11,169	
Celebration of Public Events					
Other Expenses	27,500	27,500	27,375	125	
OTHER COMMON OPERATING FUNCTIONS					
PEOSHA Compliance					
Other Expenses	2,000	2,000		2,000	
Salary Adjustment Account	5,000				-
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	95,736	97,236	93,957	3,279	
Other Expenses	9,232	12,232	8,296	3,936	

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, 2016**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	Budget	Budget After Modification	Paid or Charged	Reserved	Balance Cancelled
OPERATIONS - WITHIN "CAPS" (Cont'd)					
MUNICIPAL COURT FUNCTIONS (Continued)					
Public Defender					
Other Expenses	\$ 3,432	\$ 3,432	\$ 3,188	\$ 244	
STATE UNIFORM CONSTRUCTION CODE					
Construction Code Officials					
Salaries and Wages	133,200	133,200	131,963	1,237	
Other Expenses	12,600	15,600	13,171	2,429	
Building Subcode Official					
Salaries and Wages	41,400	44,400	43,403	997	
Plumbing Subcode Official					
Salaries and Wages	27,550	27,550	26,489	1,061	
Fire Subcode Official					
Salaries and Wages	17,205	17,205	15,200	2,005	
Electrical Subcode Official					
Salaries and Wages	26,800	30,800	29,711	1,089	
Elevator Subcode Official					
Other Expenses	22,000	22,000	22,000		
UNCLASSIFIED					
Utilities					
Gasoline	70,000	51,000	31,611	19,389	
Electricity	154,000	154,000	130,746	23,254	
Telephone	45,000	45,000	35,622	9,378	
Natural Gas	56,500	56,500	28,860	27,640	
Street Lighting	125,000	125,000	112,671	12,329	-
Total Operations Within "CAPS"	8,779,559	8,799,059	8,149,704	649,355	-
Contingent	1,000	1,000	-	1,000	-
Total Operations including Contingent - Within "CAPS"	8,780,559	8,800,059	8,149,704	650,355	-
Detail:					
Salaries and Wages	4,439,067	4,454,567	4,385,897	68,670	-
Other Expenses	4,341,492	4,345,492	3,763,807	581,685	-

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, 2016**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance <u>Cancelled</u>
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
DEFERRED CHARGES					
Prior Year Bills:					
Planning Board	\$ 579	\$ 579	\$ 579		
STATUTORY CHARGES					
Social Security System (O.A.S.I.)	202,000	175,000	150,864	\$ 24,136	
Defined Contribution Retirement Plan (DCRP)	9,000	9,000	5,887	3,113	
Public Employees Retirement System	130,648	130,648	130,648	-	
Police and Fireman's Retirement System	<u>630,625</u>	<u>630,625</u>	<u>630,625</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures Municipal Within "CAPS"	<u>972,852</u>	<u>945,852</u>	<u>918,603</u>	<u>27,249</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>9,753,411</u>	<u>9,745,911</u>	<u>9,068,307</u>	<u>677,604</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library Chap. 82, 541 P.L. 85	787,648	787,648	773,288	14,360	
Sewerage Processing and Disposal (Sanitation Chap. 74, P.L. 87) Contractual	875,000	875,000	874,679	321	
Reserve for Tax Appeals	1,110,000	1,110,000	1,110,000		
Recycling Tax	12,000	12,000	6,825	5,175	
Length of Service Award Program (LOSAP)	50,000	50,000	29,700	20,300	
Police Dispatch/911 Other Expenses	187,000	187,000	185,219	1,781	

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, 2016**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended Balance Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - EXCLUDED FROM "CAPS" (Continued)					
Interlocal Services Agreements					
Municipal Court Administration					
Salaries & Wages	\$ 103,714	\$ 105,214	\$ 101,786	\$ 3,428	
Other Expenses	61,576	67,576	65,153	2,423	
Prosecutor					
Other Expenses	13,520	13,520	13,520		
Public Defender					
Other Expenses	3,718	3,718	3,454	264	
Pascack Valley Department of Public Works					
Department of Public Works					
Other Expenses	<u>1,549,470</u>	<u>1,549,470</u>	<u>1,549,444</u>	<u>26</u>	<u>-</u>
Total Other Operations Excluded from "CAPS"	<u>4,753,646</u>	<u>4,761,146</u>	<u>4,713,068</u>	<u>48,078</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS" PUBLIC AND PRIVATE PROGRAMS OFFSET BY REVENUES					
Recycling Tonnage Grant	8,392	8,392	8,392	-	
Clean Communities Grant		20,821	19,214	1,607	
Municipal Alliance Program					
State Share	9,876	9,876	2,546		\$ 7,330
Local Share	2,469	2,469	636	1,833	
Alcohol Education and Rehab. Grant	728	1,514		1,514	
Drunk Driving Enforcement Grant	4,452	4,452	2,300	2,152	
CDBG-Senior Citizen Activities	4,125	4,125	4,125	-	
Body Armor Grant-State Share	<u>2,352</u>	<u>2,352</u>	<u>619</u>	<u>1,733</u>	<u>-</u>
Total Public and Private Programs Offset by Revenues	<u>32,394</u>	<u>54,001</u>	<u>37,832</u>	<u>8,839</u>	<u>7,330</u>
Total Operations Excluded from "CAPS"	<u>4,786,040</u>	<u>4,815,147</u>	<u>4,750,900</u>	<u>56,917</u>	<u>7,330</u>
Detail:					
Salaries and Wages	103,714	105,214	101,786	3,428	
Other Expenses	<u>4,682,326</u>	<u>4,709,933</u>	<u>4,649,114</u>	<u>53,489</u>	<u>7,330</u>

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, 2016**

	<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>
<b>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	\$ 150,000	\$ 150,000	\$ 150,000		
Improvements to Swim Pool Complex	<u>40,000</u>	<u>40,000</u>	<u>3,400</u>	\$ 36,600	-
Total Capital Improvements Excluded from "CAPS"	<u>190,000</u>	<u>190,000</u>	<u>153,400</u>	<u>36,600</u>	<u>-</u>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	1,595,000	1,595,000	1,595,000	-	
Interest on Bonds	<u>200,955</u>	<u>200,955</u>	<u>200,950</u>	-	\$ 5
Total Municipal Debt Service Excluded from "CAPS"	<u>1,795,955</u>	<u>1,795,955</u>	<u>1,795,950</u>	<u>-</u>	<u>5</u>
<b>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</b>					
Emergency Authorization	50,000	50,000	50,000		
Special Emergency Authorizations- 5 years (N.J.S.40A4-55)	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>72,000</u>	<u>72,000</u>	<u>72,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	<u>6,843,995</u>	<u>6,873,102</u>	<u>6,772,250</u>	<u>93,517</u>	<u>7,335</u>
Subtotal General Appropriations	16,597,406	16,619,013	15,840,557	771,121	7,335
Reserve for Uncollected Taxes	<u>1,581,443</u>	<u>1,581,443</u>	<u>1,581,443</u>	-	-
Total General Appropriations	<u>\$ 18,178,849</u>	<u>\$ 18,200,456</u>	<u>\$ 17,422,000</u>	<u>\$ 771,121</u>	<u>\$ 7,335</u>
<u>Reference</u>	A-2	A-3	A-1	A,A-1	

**BOROUGH OF MONTVALE  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

		<u>Appropriated</u>	<u>Expended</u>
		Budget After	Paid or
		<u>Modification</u>	<u>Charged</u>
Budget as Adopted	A-3	\$ 18,178,849	
Appropriation by 40A:4-87	A-2	<u>21,607</u>	
		<u>\$ 18,200,456</u>	
Cash Disbursed	A-4		\$ 14,090,184
Encumbrances Payable	A-16		388,673
Due to LOSAP Fund	B		29,700
Due to General Capital Fund	C-4		150,000
Deferred Charges			
Special Emergency Authorization	A-13		22,000
Emergency Authorization	A-14		50,000
Reserve for Tax Appeals	A-27		1,110,000
Reserve for Uncollected Taxes	A-2		<u>1,581,443</u>
			<u>\$ 17,422,000</u>

**BOROUGH OF MONTVALE  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL FUND</b>			
Cash	B-3	\$ 19,660	\$ 20,313
<b>OTHER TRUST FUND</b>			
Cash	B-3	2,122,448	2,341,878
<b>UNEMPLOYMENT INSURANCE FUND</b>			
Cash	B-3	269,191	266,642
<b>OPEN SPACE PRESERVATION TRUST FUND</b>			
Cash	B-3	595,870	551,265
<b>LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)</b>			
Investments	B	508,509	441,593
Due from Current Fund	A	29,700	29,700
		<u>538,209</u>	<u>471,293</u>
<b>Total Assets</b>		<u>\$ 3,545,378</u>	<u>\$ 3,651,391</u>

**BOROUGH OF MONTVALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>LIABILITIES AND RESERVES</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to State of NJ - Fees Payable	B-4	\$ 18	\$ 33
Due to Current Fund	B-6	5,830	5,097
Prepaid License Fees	B-7		1,046
Reserve for Animal Control Expenditures	B-5	<u>13,812</u>	<u>14,137</u>
		<u>19,660</u>	<u>20,313</u>
<b>OTHER TRUST FUND</b>			
Due to Current Fund	B-10	2,535	5,033
Escrow Deposits	B-11	1,576,761	1,672,527
Payroll Deductions Payable	B-12	48,043	46,845
Miscellaneous Reserves and Deposits	B-13	<u>495,109</u>	<u>617,473</u>
		<u>2,122,448</u>	<u>2,341,878</u>
<b>UNEMPLOYMENT INSURANCE FUND</b>			
Due to State of NJ - Claims Payable	B-8	1,065	115
Reserve for Unemployment Compensation Insurance Claims	B-9	<u>268,126</u>	<u>266,527</u>
		<u>269,191</u>	<u>266,642</u>
<b>OPEN SPACE PRESERVATION TRUST FUND</b>			
Encumbrances Payable	B-17	165,862	-
Reserve for Open Space Preservation	B-16	<u>430,008</u>	<u>551,265</u>
		<u>595,870</u>	<u>551,265</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)</b>			
Reserve for LOSAP Contributions	B	<u>538,209</u>	<u>471,293</u>
<b>Total Liabilities and Reserves</b>		<u>\$ 3,545,378</u>	<u>\$ 3,651,391</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, 2016**

	<u>Anticipated</u>		<u>Realized</u>	<u>Excess or (Deficit)</u>
	<u>Budget (Memo)</u>	<u>Budget After Modifications (Memo)</u>		
Amount to be Raised by Taxation	\$ 101,863	\$ 101,863	\$ 104,371	\$ 2,508
Reserve Funds Utilized	-	123,765	123,765	-
	<u>\$ 101,863</u>	<u>\$ 225,628</u>	<u>\$ 228,136</u>	<u>\$ 2,508</u>
<u>Reference</u>	B-2	B-2	B-15	

EXHIBIT B-2

**STATEMENT OF EXPENDITURES-REGULATORY BASIS**  
**OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget (Memo)</u>	<u>Budget After Modification (Memo)</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Development of Land for Recreation and Conservation				
Other Expenses		\$ 184,679	\$ 184,679	
Maintenance of Land for Recreation and Conservation				
Other Expenses		40,949	40,949	
Reserve for Future Use	\$ 101,863	-	-	\$ -
	<u>\$ 101,863</u>	<u>\$ 225,628</u>	<u>\$ 225,628</u>	<u>\$ -</u>
<u>Reference</u>	B-1	B-1	B-16	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF MONTVALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 4,968,243	\$ 813,615
Deferred Charges to Future Taxation			
Funded	C-5	4,985,000	6,580,000
Unfunded	C-6	<u>6,280,000</u>	<u>4,855,000</u>
Total Assets		<u>\$ 16,233,243</u>	<u>\$ 12,248,615</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds	C-13	\$ 4,985,000	\$ 6,580,000
Bond Anticipation Notes	C-14	5,700,000	
Encumbrances Payable	C-8	3,670,880	204,072
Improvement Authorizations			
Funded	C-7	67,380	411,883
Unfunded	C-7	1,479,189	4,855,000
Capital Improvement Fund	C-9	180,241	105,241
Reserve for Payment of Debt	C-10	5,059	5,059
Reserve for Improvement of Field	C-11	80,645	63,895
Reserve for Preliminary Expenses	C-12	700	700
Fund Balance	C-1	<u>64,149</u>	<u>22,765</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 16,233,243</u>	<u>\$ 12,248,615</u>

There were bonds and notes authorized but not issued on December 31, 2016 and 2015 of \$580,000 and \$4,855,000, 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, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Balance, January 1	C	\$ 22,765	\$ 22,765
Increased by:			
Cancellation of Funded Improvement Authorizations	C-7	1,025	
Premium on Notes Issued	C-2	40,359	-
		<u>41,384</u>	<u>-</u>
Balance, December 31	C	<u>\$ 64,149</u>	<u>\$ 22,765</u>

**BOROUGH OF MONTVALE  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
PUBLIC ASSISTANCE FUND  
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>			
Cash	D-1	\$ 5,858	\$ 9,922
Total Assets		<u>\$ 5,858</u>	<u>\$ 9,922</u>
<b>LIABILITIES AND RESERVES</b>			
Reserve for Public Assistance Expenditures	D-2	\$ 5,858	\$ 9,922
Total Liabilities and Reserves		<u>\$ 5,858</u>	<u>\$ 9,922</u>

**BOROUGH OF MONTVALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**AS OF DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Land and Land Improvements	\$ 17,755,602	\$ 17,905,722
Buildings and Building Improvements	13,305,961	13,966,991
Machinery and Equipment	<u>8,141,920</u>	<u>8,067,595</u>
	<u>\$ 39,203,483</u>	<u>\$ 39,940,308</u>
<b>FUND BALANCE</b>		
Investment in General Fixed Assets	<u>\$ 39,203,483</u>	<u>\$ 39,940,308</u>

**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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, provides leadership in the development of community projects 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, 2016 AND 2015**

**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, 2016 AND 2015**

**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, 2016 AND 2015**

**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 11<sup>th</sup> 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, 2016 AND 2015**

**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 \$2,000 and an estimated useful life in excess of two years.

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

General Fixed Assets purchased after December 31, 1995 are stated at cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

**BOROUGH OF MONTVALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Measurement Focus and Basis of Accounting (Continued)**

General Fixed Assets purchased prior to December 31, 1995 are stated as follows:

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

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

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 2016 and 2015 the Borough Council increased the original budget by \$21,607 and \$477,853. The increase in 2016 was funded by additional aid allotted to the Borough. The increase in 2015 was attributable to an emergency appropriation of \$50,000 for improvements to the swim pool complex and additional aid allotted to the Borough in the amount of \$427,853. In addition, the governing body approved several budget transfers during 2016 and 2015.

**BOROUGH OF MONTVALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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.

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, 2016 and 2015, the book value of the Borough's deposits were \$16,730,158 and \$12,703,110 and bank and brokerage firm balances of the Borough's deposits amounted to \$16,983,424 and \$13,315,538, 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>2016</u>	<u>2015</u>
Insured	\$ 16,983,424	\$ 13,315,538
	<u>\$ 16,983,424</u>	<u>\$ 13,315,538</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, 2016 and 2015, the Borough's bank balances were not exposed to custodial credit risk.

**B. Investments**

The Borough is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 40A:5-15.1. Investments include bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, 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, 2016 AND 2015**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)**

**B. Investments (Continued)**

As of December 31, 2016 and 2015, the Borough had the following investments:

	Fair Value (LOSAP)	
	<u>2016</u>	<u>2015</u>
Investment:		
Lincoln Financial Group LOSAP Investment Fund (Unaudited)	\$ 508,509	\$ 441,593

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, 2016 and 2015, \$508,509 and \$441,593 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP)	
	<u>2016</u>	<u>2015</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (Unaudited)	\$ 508,509	\$ 441,593

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, 2016 and 2015, the Borough’s investment in Lincoln Financial Group, a subsidiary of Lincoln National Life Insurance Company was rated Baa1 by Moody’s Investor Services.

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

The fair value of the above-listed investments 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, 2016 AND 2015**

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
<u>Current</u>		
Property Taxes	\$ 699,345	\$ 239,956
Tax Title Liens	<u>17,711</u>	<u>16,500</u>
	<u>\$ 717,056</u>	<u>\$ 256,456</u>

In 2016 and 2015, the Borough collected \$227,497 and \$247,461 from delinquent taxes, which represented 89% and 92%, 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>2016</u>		<u>2015</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	\$ 8,365	\$ 29,700	\$ 10,130	\$ 29,700
Trust Funds				
Animal Control		5,830		5,097
Other Trust		2,535		5,033
LOSAP Fund	<u>29,700</u>	<u>-</u>	<u>29,700</u>	<u>-</u>
Total	<u>\$ 38,065</u>	<u>\$ 38,065</u>	<u>\$ 39,830</u>	<u>\$ 39,830</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, 2016 AND 2015**

**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>
<b><u>2016</u></b>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 22,000	\$ 22,000	-
	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>\$ -</u>
<b><u>2015</u></b>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 44,000	\$ 22,000	\$ 22,000
Emergency Authorizations	<u>50,000</u>	<u>50,000</u>	<u>-</u>
	<u>\$ 94,000</u>	<u>\$ 72,000</u>	<u>\$ 22,000</u>

**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>2016</u>		<u>2015</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	\$ 5,005,197	\$ 4,075,000	\$ 3,777,872	\$ 3,500,000
Non-Cash Surplus	<u>758,061</u>	<u>-</u>	<u>1,397,361</u>	<u>-</u>
	<u>\$ 5,763,258</u>	<u>\$ 4,075,000</u>	<u>\$ 5,175,233</u>	<u>\$ 3,500,000</u>



**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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, 2016 and 2015.

	Balance December 31, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2016</u>
<b><u>2016</u></b>				
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>
	Balance December 31, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2015</u>
<b><u>2015</u></b>				
Land and Land Improvements	\$ 18,227,722		\$ (322,000)	\$ 17,905,722
Buildings and Building Improvements	14,647,491		(680,500)	13,966,991
Machinery and Equipment	<u>7,298,056</u>	<u>\$ 769,539</u>	<u>-</u>	<u>8,067,595</u>
	<u>\$ 40,173,269</u>	<u>\$ 769,539</u>	<u>\$ (1,002,500)</u>	<u>\$ 39,940,308</u>

**BOROUGH OF MONTVALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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>2016</u>	<u>2015</u>
Issued		
General		
Bonds and Notes	\$ 10,685,000	\$ 6,580,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>5,059</u>	<u>5,059</u>
Net Debt Issued	10,679,941	6,574,941
Authorized But Not Issued		
General		
Bonds and Notes	<u>580,000</u>	<u>4,855,000</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,259,941</u>	<u>\$ 11,429,941</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 .506% and .516% at December 31, 2016 and 2015, respectively.

<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>
<u>2015</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 11,435,000	\$ 5,059	\$ 11,429,941
School Debt	<u>9,597,349</u>	<u>9,597,349</u>	<u>-</u>
Total	<u>\$ 21,032,349</u>	<u>\$ 9,602,408</u>	<u>\$ 11,429,941</u>

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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>2016</u>	<u>2015</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 77,826,626 <u>11,259,941</u>	\$ 77,564,180 <u>11,429,941</u>
Remaining Borrowing Power	<u>\$ 66,566,685</u>	<u>\$ 66,134,239</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:

	<u>2016</u>	<u>2015</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%	\$ 1,370,000	\$ 1,830,000
\$3,695,000, 2011 Bonds, due in annual installments of \$395,000 to \$430,000 through December, 2021, interest at 2.00% to 2.50%	2,130,000	2,525,000
\$3,745,000, 2012 Refunding Bonds, due in annual installments of \$740,000 to \$745,000 through October, 2018, interest at 3.00% to 4.00%	<u>1,485,000</u>	<u>2,225,000</u>
	<u>\$ 4,985,000</u>	<u>\$ 6,580,000</u>

**BOROUGH OF MONTVALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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, 2016 is as follows:

Calendar Year	General		Total
	Principal	Interest	
2017	\$ 1,630,000	\$ 152,450	\$ 1,782,450
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>\$ 4,985,000</u>	<u>\$ 338,038</u>	<u>\$ 5,323,038</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:

	Balance, December 31, 2015	Increase	Reductions	Balance, December 31, 2016	Due Within One Year
<b>2016</b>					
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>
	Balance, December 31, 2014	Increases	Reductions	Balance, December 31, 2015	Due Within Year
<b>2015</b>					
General Capital Fund Bonds Payable	<u>\$ 8,155,000</u>	<u>\$ -</u>	<u>\$ 1,575,000</u>	<u>\$ 6,580,000</u>	<u>\$ 1,595,000</u>

**BOROUGH OF MONTVALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

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

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2015</u>	<u>Renewals/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2016</u>
<b><u>2016</u></b>						
<u>General Capital Fund</u>						
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>

**2015**

There were none.

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, 2016 AND 2015**

**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>
<b><u>2016</u></b>		
Firehouse Construction	\$ 3,150,268	2017
Sanitary Sewer Extension Project	241,644	2017
Various Road Improvements	202,871	2017
Swim Pool Demolition	150,904	2017
<b><u>2015</u></b>		
Various Road Improvements	\$ 410,323	2016
Firehouse Construction	116,800	2016
Fire Truck	119,156	2016

**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 \$590,906 and \$603,806 at December 31, 2016 and 2015, respectively. These amounts which is 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, 2016 AND 2015**

**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, 2016 and 2015 were as follows:

	Balance, December 31, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<b><u>2016</u></b>					
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>
	Balance, December 31, <u>2014</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<b><u>2015</u></b>					
Compensated Absences	\$ 498,077	\$ 108,941	\$ 3,212	\$ 603,806	\$ 5,000
Net Pension Liability - PERS	5,669,404		680,660	4,988,744	
Net Pension Liability - PFRS	<u>9,268,927</u>	<u>4,284,136</u>	<u>630,625</u>	<u>12,922,438</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 15,436,408</u>	<u>\$ 4,393,077</u>	<u>\$ 1,314,497</u>	<u>\$ 18,514,988</u>	<u>\$ 5,000</u>

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS**

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

**Police and Firemen's Retirement System (PFRS)** – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after December 31, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership. PFRS is a cost-sharing multi-employer defined benefit pension plan.

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**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.

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](http://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, 2016 AND 2015**

**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](http://www.state.nj/treasury/doinvest).

**Funded Status and Funding Progress**

As of July 1, 2015, the most recent actuarial valuation date, which was rolled forward to June 30, 2016, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, local PERS and local PFRS is 45.7 percent with an unfunded actuarial accrued liability of \$50.3 billion. The CPFPPF system is 19.15 percent funded with an unfunded actuarial accrued liability of \$8.0 million. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 40.14 percent and \$29.6 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 52.01 percent and \$20.7 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, 2015 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) 7.65% for investment rate of return for all the retirement systems except CPFPPF ( 2.85%) 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, 2016 AND 2015**

**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, 7.06% for PERS and 5.50% for DCRP of employee’s annual compensation for fiscal year 2016.

**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, 2016 and 2015 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, 2016, 2015 and 2014, 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 December 31</u>	<u>PFRS</u>	<u>PERS (1)</u>	<u>DCRP</u>
2016	\$ 630,625	\$ 191,063	\$ 5,887
2015	565,954	249,631	3,932
2014	491,648	226,509	4,344

(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, 2016 and 2015, the Borough reported a liability of \$7,166,968 and \$4,988,744, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, 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, 2016, the Borough’s proportionate share was .02420 percent, which was an increase of .00198 percent from its proportionate share measured as of June 30, 2015 of .02222 percent.

**BOROUGH OF MONTVALE  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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)**

For the year ended December 31, 2016 and 2015, the pension system has determined the Borough's pension expense to be \$490,027 and \$63,821, respectively, for PERS based on the actuarial valuation which is more in 2016 and less in 2015 than the actual contributions reported in the Borough's financial statements of \$191,063 and \$249,631, respectively. At December 31, 2016 and 2015, 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:

	2016		2015	
	<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	\$ 133,284		\$ 119,014	
Changes of Assumptions	1,484,613		535,751	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	273,283			\$ 80,209
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>344,255</u>	<u>\$ 1,008,698</u>	<u>28,873</u>	<u>1,279,854</u>
Total	<u>\$ 2,235,435</u>	<u>\$ 1,008,698</u>	<u>\$ 683,638</u>	<u>\$ 1,360,063</u>

At December 31, 2016 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>
2017	\$ 224,890
2018	224,890
2019	309,356
2020	289,779
2021	<u>177,822</u>
	<u>\$ 1,226,737</u>

**BOROUGH OF MONTVALE  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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)**

*Actuarial Assumptions*

The Borough's 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. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.15-4.40%
Through 2026	1.65-4.15%	Based on Age
Thereafter	2.65-5.15%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
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, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF MONTVALE  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</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>
Cash	5.00%	87.00%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	50.00%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

***Discount Rate***

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

<u>Year</u>	<u>Discount Rate</u>
2016	3.98%
2015	4.90%

**BOROUGH OF MONTVALE  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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, 2034
Municipal Bond Rate *	From July 1, 2034 and Thereafter

\* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, 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, 2016 and 2015 calculated using the discount rate of 3.98% and 4.90%, 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 (2.98% and 3.90%, respectively) or 1-percentage-point higher (4.98% and 5.90%, respectively) than the current rate:

	<b>1% Decrease (2.98%)</b>	<b>Current Discount Rate (3.98%)</b>	<b>1% Increase (4.98%)</b>
<u>2016</u>			
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>
	<b>1% Decrease (3.90%)</b>	<b>Current Discount Rate (4.90%)</b>	<b>1% Increase (5.90%)</b>
<u>2015</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 6,200,398</u>	<u>\$ 4,988,744</u>	<u>\$ 3,972,902</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. 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, 2016 AND 2015**

**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](http://www.state.nj.us/treasury/pensions).

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

At December 31, 2016 and 2015, the Borough reported a liability of \$15,150,341 and \$12,922,438, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, 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, 2016, the Borough's proportionate share was .07931 percent, which was an increase of .00173 percent from its proportionate share measured as of June 30, 2015 of .07758 percent.

For the years ended December 31, 2016 and 2015, the pension system has determined the Borough pension expense to be \$1,894,491 and \$1,345,085, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$630,625 and \$565,954, respectively. At December 31, 2016 and 2015, 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:

	<b>2016</b>		<b>2015</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference Between Expected and Actual Experience		\$ 99,313		\$ 111,460
Changes of Assumptions	\$ 2,098,447		\$ 2,385,803	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,061,554			224,904
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	962,030	-	993,215	-
<b>Total</b>	<b>\$ 4,122,031</b>	<b>\$ 99,313</b>	<b>\$ 3,379,018</b>	<b>\$ 336,364</b>

**BOROUGH OF MONTVALE  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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, 2016 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2017	\$ 1,009,000
2018	1,009,000
2019	1,245,465
2020	704,664
2021	<u>54,589</u>
	<u>\$ 4,022,718</u>

***Actuarial Assumptions***

The Borough’s 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. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.60-9.48%
Through 2026	2.10-8.98%	Based on Age
Thereafter	3.10-9.98%	3.60-10.48%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
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, 2015 and July 1, 2014 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, 2016 AND 2015**

**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, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</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>
Cash	5.00%	87.00%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	50.00%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

***Discount Rate***

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

<u>Year</u>	<u>Discount Rate</u>
2016	5.55%
2015	5.79%

**BOROUGH OF MONTVALE  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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, 2050
Municipal Bond Rate *	From July 1, 2050 and Thereafter

\* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, 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, 2016 and 2015 calculated using the discount rate of 5.55% and 5.79%, 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 (4.55% and 4.79%, respectively) or 1-percentage-point higher (6.55% and 6.79%, respectively) than the current rate:

	<b>1% Decrease <u>(4.55%)</u></b>	<b>Current Discount Rate <u>(5.55%)</u></b>	<b>1% Increase <u>(6.55%)</u></b>
<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>
	<b>1% Decrease <u>(4.79%)</u></b>	<b>Current Discount Rate <u>(5.79%)</u></b>	<b>1% Increase <u>(6.79%)</u></b>
<u>2015</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 17,035,876</u>	<u>\$ 12,922,438</u>	<u>\$ 9,568,297</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. 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, 2016 AND 2015**

**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 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, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,272,253 and \$1,133,254, respectively. For the years ended December 31, 2016 and 2015, 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 \$162,497 and \$141,357, respectively, which is more or less **(modify)** than the actual contributions the State made on behalf of the Borough of \$48,749 and \$58,922, 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](http://www.state.nj.us/treasury/pensions).

**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.

**BOROUGH OF MONTVALE  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

**NOTE 14 RISK MANAGEMENT (Continued)**

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 December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Claims Reimbursed</u>	<u>Ending Balance</u>
2016	None	\$ 6,165	\$ 4,566	\$ 268,126
2015	\$ 50,000	6,053	5,443	266,527
2014	50,000	6,083	66,733	215,917

**BOROUGH OF MONTVALE  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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, 2016 and 2015. 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, 2016 and 2015, the Borough reserved \$650,166 and \$1,284,768, 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, 2016 and 2015, 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, 2016 and 2015, 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 THE FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

**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 2016 and 2015, respectively, for each eligible volunteer fire department member into the Plan. The total Borough contributions were \$29,700 and \$29,700 for 2016 and 2015, 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, 2016 and 2015 were \$11,283 and \$11,644, 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, 2016 AND 2015**

**NOTE 18 TAX ABATEMENTS**

For the years ended December 31, 2016 and 2015, the Borough provided property tax abatements through a certain program 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, 2016 and 2015 the Borough abated property taxes totaling \$69,608 and \$67,791, respectively, under the NJHMFA program. The Borough received \$9,140 and \$9,141 in PILOT payments under this program for the years ended December 31, 2016 and 2015, respectively.

**CURRENT FUND**



**BOROUGH OF MONTVALE  
STATEMENT OF CASH - COLLECTOR - TREASURER**

Balance, December 31, 2015	\$	8,699,075
Increased by:		
Taxes Receivable	\$	46,187,183
Nonbudget Revenue		786,975
Prepaid Revenues		85,254
Due from State of NJ - Senior Citizens' and Veterans' Deductions		48,000
Revenue Accounts Receivable		3,483,986
Grants Receivable		433,961
Receipts from Other Trust Fund		2,888
Receipts from Animal Control Fund		5,487
Fees Payable		93,381
Prepaid Taxes		180,143
Reserve for Grants - Unappropriated		4,301
Petty Cash		800
Outstanding Checks Voided		3,866
Tax Overpayments		<u>157,719</u>
		<u>51,473,944</u>
		60,173,019
Decreased by Disbursements:		
2016 Budget Appropriations	14,090,184	
2015 Appropriation Reserves	111,360	
County Taxes Payable	5,330,665	
Due to County for Added and Omitted Taxes	47,390	
Local School District Tax Payable	15,640,118	
Regional High School Taxes Payable	12,827,679	
Payments to Open Space Preservation Trust Fund	104,371	
Payments to General Capital Fund	150,000	
Accounts Payable	84,578	
Encumbrances Payable	836,720	
Petty Cash	800	
Reserve for Grants - Appropriated	4,542	
Payments to Animal Control Fund	390	
Payments to LOSAP Fund	29,700	
Tax Overpayments Refunded	45,673	
Fees Payable	100,639	
Refunds of Prior Year Revenue	120	
Tax Appeal Refunds	<u>2,019,602</u>	
		<u>51,424,531</u>
Balance, December 31, 2016	\$	<u>8,748,488</u>

**BOROUGH OF MONTVALE  
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2015</u>	Balance, December 31, <u>2016</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>2015</u>	Revenue <u>Realized</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2016</u>
NJ Department of Transportation - Magnolia/Terkuile	\$ 298,000		\$ 222,047		\$ 75,953
NJ Department of Transportation - Safe Routes to School	450,000				450,000
FEMA - Gabion	199,458				199,458
County of Bergen - Curb Program	348,005		171,578	\$ 165,777	10,650
Clean Communities Grant		\$ 20,821	20,821		
Drunk Driving Enforcement Grant		4,452	4,452		
Municipal Alliance Program	7,898	2,546	2,546	7,898	-
Recycling Tonnage Grant		8,392	8,392		
CDBG-Senior Citizen Activities	-	4,125	4,125	-	-
	<u>\$ 1,303,361</u>	<u>\$ 40,336</u>	<u>\$ 433,961</u>	<u>\$ 173,675</u>	<u>\$ 736,061</u>
Reserve for Appropriated Grants				\$ 55,370	
Appropriation Reserve				116,730	
Cancel to Operations				<u>1,575</u>	
				<u>\$ 173,675</u>	

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

Balance, December 31, 2015	\$ 10,618
Increased by:	
Payment from State of New Jersey	\$ 48,000
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2015	500
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2016	<u>1,250</u>
	<u>49,750</u>
	60,368
Decreased by:	
Senior Citizens' Deductions Per Tax Billings	2,750
Veterans' Deductions Per Tax Billings	44,875
Veterans' Deductions Allowed by Tax Collector-2016	<u>5,479</u>
	<u>53,104</u>
Balance, December 31, 2016	<u>\$ 7,264</u>

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

Year	Balance,	2016 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Collections		Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transferred to Tax Title Liens	Balance, December 31, 2016
	December 31, 2015				2015	2016			
2013	\$ 2,443								\$ 2,443
2014	5,234								5,234
2015	<u>232,279</u>	-	\$ 500	-	\$ 227,497	-	-	-	<u>5,282</u>
	239,956	-	500	-	227,497	-	-	-	12,959
2016	<u>-</u>	\$ 47,142,888	<u>1,250</u>	\$ 313,649	45,959,686	\$ 53,104	\$ 130,102	\$ 1,211	<u>686,386</u>
	<u>\$ 239,956</u>	<u>\$ 47,142,888</u>	<u>\$ 1,750</u>	<u>\$ 313,649</u>	<u>\$ 46,187,183</u>	<u>\$ 53,104</u>	<u>\$ 130,102</u>	<u>\$ 1,211</u>	<u>\$ 699,345</u>

Analysis of 2016 Property Tax Levy

ANALYSIS OF 2016 PROPERTY TAX LEVY

TAX YIELD		
General Purpose Tax		\$ 46,042,200
Added Taxes (54:4-63.1 et. seq.)		<u>1,100,688</u>
		<u>\$ 47,142,888</u>
Local District School Tax		\$ 15,838,446
Regional High School Tax		12,827,679
County Taxes:		
County Taxes	\$ 5,276,295	
County Open Space	54,370	
Due County for Added Taxes (54:4-63.1 et. seq.)	<u>130,311</u>	
		5,460,976
Municipal Open Space Tax	101,863	
Municipal Open Space Added Taxes	<u>2,508</u>	
		104,371
Local Tax for Municipal Purposes	11,199,138	
Minimum Library Tax	729,004	
Additional Tax Levied	<u>983,274</u>	
		<u>12,911,416</u>
		<u>\$ 47,142,888</u>

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

Balance, December 31, 2015	\$ 16,500
Increased by:	
Transfers from Taxes Receivable - 2016	<u>1,211</u>
Balance, December 31, 2016	<u>\$ 17,711</u>

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

Balance, December 31, 2015	<u>\$ 29,400</u>
Balance, December 31, 2016	<u>\$ 29,400</u>

**BOROUGH OF MONTVALE**  
**STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, December 31, <u>2015</u>	Accrued in <u>2016</u>	<u>Collected</u>	Balance, December 31, <u>2016</u>
Borough Clerk				
Licenses - Alcoholic Beverages		\$ 17,590	\$ 17,590	
Fees and Permits - Parking Permits		4,300	4,300	
Board of Health				
Licenses		40,520	40,520	
Register of Vital Statistics				
Fees and Permits		718	718	
Construction Code Official				
Uniform Construction Code Fees		1,060,297	1,060,297	
Fees and Permits - Other		75,474	75,474	
Police				
Fees and Permits		2,137	2,137	
Tax Collector				
Fees and Permits		172	172	
Planning Board				
Fees and Permits		29,689	29,689	
Recreation				
Fees and Permits		72,855	72,855	
Municipal Court				
Fines and Costs		206,237	206,237	
Municipal Court Shared Service	\$ 42,482	183,912	181,260	\$ 45,134
Interest and Costs on Taxes	5,129	67,051	70,862	1,318
Energy Receipts Tax		1,262,378	1,262,378	
Cable TV Franchise Fees		126,182	126,182	
Sewer Agreement - Marriott		54,426	54,426	
Hotel/Motel Tax		207,397	207,397	
Uniform Fire Safety Act:				
Local Enforcement Fees		113,840	113,840	
LEA Rebate	-	12,078	12,078	-
	<u>\$ 47,611</u>	<u>\$ 3,537,253</u>	<u>\$ 3,538,412</u>	<u>\$ 46,452</u>
Cash Received			\$ 3,483,986	
Prepaid Revenues Applied			<u>54,426</u>	
			<u>\$ 3,538,412</u>	

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

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance December 31, 2015</u>	<u>Raised in 2016 Budget</u>	<u>Balance, December 31, 2016</u>
4/10/2012	Reassessment of Real Property	\$ 110,000	\$ 22,000	<u>\$ 44,000</u>	<u>\$ 22,000</u>	<u>\$ 22,000</u>

**STATEMENT OF DEFERRED CHARGES**

	<u>Balance December 31, 2015</u>	<u>Added in 2016</u>	<u>Raised in 2016 Budget</u>	<u>Balance, December 31, 2016</u>
Emergency Authorization (40A:4-47)	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>

**BOROUGH OF MONTVALE  
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, <u>2015</u>	Encumbrances <u>Cancelled</u>	Balance After <u>Modification</u>	Paid or <u>Charged</u>	Transfers/ <u>Cancellations</u>	Balance <u>Lapsed</u>
<b>SALARIES AND WAGES</b>						
Administrative and Executive	\$ 472		\$ 472			\$ 472
Mayor and Council	531		531			531
Borough Clerk	1,092		1,092			1,092
Elections	1,007		1,007			1,007
Financial Administration	2,570		2,570			2,570
Assessment of Taxes	13		13			13
Collection of Taxes	26		26			26
Cable TV Committee	4,904		4,904			4,904
Environmental Commission	925		925			925
Planning Board	4,067		4,067			4,067
Zoning Official	2		2			2
Code Enforcement and Administration Property Maint	4		4			4
Police	51,674		51,674	\$ 6,825		44,849
Emergency Management	537		537			537
Uniform Fire Safety Act	863		863			863
Public Buildings and Grounds	50		50			50
Public Health Services	383		383			383
Public Assistance	1		1			1
Parks and Playgrounds	25		25			25
Recreation Services and Programs	23,189		23,189			23,189
Senior Citizen Van	2,366		2,366			2,366
Municipal Court	2,123		2,123			2,123
Municipal Court - Shared Services	2,298		2,298			2,298
Construction Code Official	1,062		1,062			1,062
Building Subcode Official	20		20			20
Plumbing Subcode Official	20		20			20
Fire Subcode Official	21		21			21
Electrical Subcode Official	45	-	45	-	-	45
	<u>100,290</u>	<u>-</u>	<u>100,290</u>	<u>6,825</u>	<u>-</u>	<u>93,465</u>
<b>OTHER EXPENSES</b>						
Administrative and Executive	26,857	\$ 8,339	35,196			35,196
Mayor and Council	3,373		3,373	769		2,604
Borough Clerk	11,093		11,093	2,100		8,993
Elections	2,160	59	2,219			2,219
Financial Administration	15,087		15,087	484		14,603
Audit Services	41,700		41,700	37,400		4,300
Assessment of Taxes	31,522		31,522	348		31,174
Collection of Taxes	6,746		6,746	405		6,341
Legal Services and Costs	24,919		24,919	881		24,038
Engineering Services & Costs	7,061	2,073	9,134			9,134
Cable TV Commission	1,174	287	1,461			1,461
Historic Preservation Commission	230		230	47		183
Historian	200		200			200
Environmental Commission	483		483			483
Planning Board	64,668		64,668	167		64,501
Fire	9,237		9,237	303		8,934
Fire Hydrant Service	15,958		15,958			15,958
Police	9,206		9,206	5,542		3,664
Purchase of Police Vehicles	5,163		5,163			5,163
Police Dispatch	8,019		8,019			8,019
Police Dispatch/911	3,413		3,413			3,413
First Aid Organization	94		94	94		
Emergency Management	4,876		4,876			4,876
Uniform Fire Safety Act	2,199		2,199			2,199
Road Repair and Maintenance	7,687		7,687			7,687
Sewer System	10,000		10,000			10,000
Garbage and Trash Removal	4,623	2,497	7,120			7,120
Recycling Tax	5,546	179	5,725			5,725
Recycling	4,481		4,481	4,481		
Public Buildings and Grounds	11,312	8	11,320			11,320
Maintenance of All Vehicles	21,659		21,659	883		20,776
Municipal Services Act	1,326		1,326	74		1,252



**BOROUGH OF MONTVALE  
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, 2015	Encumbrances Cancelled	Balance After Modification	Paid or Charged	Transfers/ Cancellations	Balance Lapsed
OTHER EXPENSES (Continued)						
Public Health Services	\$ 11,370	\$ 1,237	\$ 12,607			\$ 12,607
Administration of Public Assistance	138		138			138
Animal Regulation		2,040	2,040			2,040
Parks and Playgrounds	1,000		1,000			1,000
Recreation Services and Programs	3,415	700	4,115			4,115
Senior Citizens	7,828		7,828	\$ 2,252		5,576
Celebration of Public Events	1,000		1,000			1,000
Prior Year Bills		135	135			135
Salary Adjustment	4,000		4,000			4,000
PEOSHA Compliance	2,000		2,000			2,000
Utilities:						
Gasoline	15,551		15,551	2,978		12,573
Electricity	29,746		29,746	10,434		19,312
Telephone	11,949		11,949	2,823		9,126
Natural Gas	25,301		25,301	4,717		20,584
Street Lighting	16,342		16,342			16,342
Contingent	1,000		1,000			1,000
Social Security System	13,391		13,391			13,391
Defined Contribution Retirement Plan	5,068	81	5,149			5,149
Construction Code	3,120		3,120	241		2,879
Elevator Sub-Code		2,858	2,858			2,858
Maintenance of Free Public Library	7,292		7,292	7,292		
Sewerage Processing and Disposal	2,669		2,669			2,669
Insurance						
Life Insurance	678	42	720			720
General Liability	3,007	712	3,719			3,719
Workers Compensation	4,950	758	5,708			5,708
Employee Group Health	69,899		69,899			69,899
Employee Group Ins - Excluded from Cap	8,400		8,400			8,400
Employee Group Health -Waiver	10,540		10,540			10,540
Length of Service Award Program	20,300		20,300	13,444		6,856
Municipal Court	1,846		1,846	82		1,764
Municipal Court - Shared Services	624		624	89		535
Public Defender	240		240			240
Public Defender - Shared Services	260		260			260
Department of Public Works	1,716	40	1,756			1,756
Recycling Tonnage	4,008		4,008	4,008		
Municipal Alliance						
State Share	6,323		6,323		\$ 6,323	
Local Share	1,581		1,581			1,581
Clean Communities	18,208		18,208	18,208		
Alcohol Education	1,237		1,237		1,237	
Drunk Driving Enforce Grant	4,701		4,701	1,267	3,434	
Body Armor State Share	81		81	81		
FEMA - Federal (Gabion Walls)	199,458		199,458		199,458	
NJDOT - Magnolia Avenue	22,410	5,017	27,427		27,427	
NJDOT - Safe Routes to School Program	450,000		450,000		450,000	
NJDOT - Terkuile Road		18,232	18,232		18,232	
ADA Curbs (Construction)	110,407		110,407		110,407	
Road Improvement	4,436	10,285	14,721			14,721
Acquisition of Vehicle - Triboro Ambulance	11,334		11,334	10,255		1,079
Acquisition of Vehicle & Equip - Fire Department	502		502			502
Improvement - Swim Pool Complex	14,050		14,050			14,050
Improvement - Pascack Brook		3	3			3
Improvement of Buildings and Grounds	640	-	640	-	-	640
	<u>1,496,088</u>	<u>55,582</u>	<u>1,551,670</u>	<u>132,149</u>	<u>816,518</u>	<u>603,003</u>
	<u>\$ 1,596,378</u>	<u>\$ 55,582</u>	<u>\$ 1,651,960</u>	<u>\$ 138,974</u>	<u>\$ 816,518</u>	<u>\$ 696,468</u>

Cash Disbursed	\$ 111,360
Accounts Payable	27,614
Grants Receivable -Cancellations	\$ 116,730
Transfer To Appropriated Grant Reserves	699,788
Total	<u>\$ 138,974</u> <u>\$ 816,518</u>

**BOROUGH OF MONTVALE  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2015		\$ 892,302
Increased by:		
Charges to 2016 Budget Appropriations		<u>388,673</u>
		1,280,975
Decreased by:		
Cash Payments	\$ 836,720	
Cancellation Restored to Appropriation Reserves	<u>55,582</u>	
		<u>892,302</u>
Balance, December 31, 2016		<u>\$ 388,673</u>

EXHIBIT A-17

**STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2015		\$ 214,634
Increased by:		
Transferred from Appropriation Reserves		<u>27,614</u>
		242,248
Decreased by:		
Payments	\$ 84,578	
Cancelled to Operations	<u>77,776</u>	
		<u>162,354</u>
Balance, December 31, 2016		<u>\$ 79,894</u>

EXHIBIT A-18

**STATEMENT OF PREPAID TAXES**

Balance, December 31, 2015		\$ 313,649
Increased by:		
2017 Prepaid Taxes Received		<u>180,143</u>
		493,792
Decreased by:		
Application to 2016 Taxes Receivable		<u>313,649</u>
Balance, December 31, 2016		<u>\$ 180,143</u>

**BOROUGH OF MONTVALE  
STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2015	\$	15,071
Increased by:		
Overpayments Received		<u>157,719</u>
		172,790
Decreased by:		
Refunded		<u>45,673</u>
Balance, December 31, 2016	\$	<u>127,117</u>

EXHIBIT A-20

**STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE**

Increased by:		
2016 Levy	\$	15,838,446
Decreased by:		
Payments		<u>15,640,118</u>
Balance, December 31, 2016	\$	<u>198,328</u>

EXHIBIT A-21

**STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE**

Increased by:		
2016 Levy	\$	12,827,679
Decreased by:		
Payments	\$	<u>12,827,679</u>

EXHIBIT A-22

**STATEMENT OF COUNTY TAXES PAYABLE**

Increased by:		
2016 Levy:		
General County Tax	\$	5,276,295
County Open Space Tax		<u>54,370</u>
		\$ 5,330,665
Decreased by:		
Payments		<u>\$ 5,330,665</u>

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

Balance, December 31, 2015	\$	47,390
Increased by:		
2016 Levy Added Taxes		130,311
		177,701
Decreased by:		
Payments		47,390
Balance, December 31, 2016	\$	130,311

EXHIBIT A-24

**STATEMENT OF MUNICIPAL OPEN SPACE TAXES**

Increased by:		
2016 Levy	\$	101,863
2016 Added Levy		2,508
	\$	104,371
Decreased by:		
Due to Open Space Preservation Trust Fund		104,371

EXHIBIT A-25

**STATEMENT OF FEES PAYABLE**

	Balance, December 31, <u>2015</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2016</u>
Marriage Licenses	\$ 50	\$ 650	\$ 550	\$ 150
BOCA Fees	14,840	92,731	100,089	7,482
	\$ 14,890	\$ 93,381	\$ 100,639	\$ 7,632

**BOROUGH OF MONTVALE  
STATEMENT OF PREPAID REVENUE**

	Balance, December 31, <u>2015</u>	<u>Receipts</u>	Applied to Current Year <u>Revenue</u>	Balance, December 31, <u>2016</u>
Sewer Fees - Marriott	\$ 54,426	\$ 85,254	\$ 54,426	\$ 85,254
	<u>\$ 54,426</u>	<u>\$ 85,254</u>	<u>\$ 54,426</u>	<u>\$ 85,254</u>

EXHIBIT A-27

**STATEMENT OF RESERVE FOR TAX APPEALS**

Balance, December 31, 2015	\$ 1,284,768
Increased by:	
Charges to 2016 Budget Appropriations	\$ 1,110,000
Transfer from Current Year Tax Collections	<u>275,000</u>
	<u>1,385,000</u>
	2,669,768
Decreased by:	
Tax Appeal Refunds	<u>2,019,602</u>
Balance, December 31, 2016	<u>\$ 650,166</u>

**BOROUGH OF MONTVALE  
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2015</u>	Balance, December 31, <u>2016</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>

EXHIBIT A-29

**STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED**

	Balance, December 31, <u>2015</u>	<u>Received</u>	Realized as Budgeted <u>Revenue</u>	Balance, December 31, <u>2016</u>
Alcohol Ed and Rehab	\$ 728	\$ 2,037	\$ 1,514	\$ 1,251
Body Armor Fund	<u>2,352</u>	<u>2,264</u>	<u>2,352</u>	<u>2,264</u>
	<u>\$ 3,080</u>	<u>\$ 4,301</u>	<u>\$ 3,866</u>	<u>\$ 3,515</u>

EXHIBIT A-30

**STATEMENT OF RESERVES FOR GRANTS - APPROPRIATED**

	Balance, December 31, <u>2015</u>	Transfer from Appropriation <u>Reserves</u>	Cash <u>Disbursements</u>	<u>Cancelled</u>	Balance, December 31, <u>2016</u>
Drunk Driving Enforcement Fund	\$ 4,542	\$ 3,434	\$ 4,542		\$ 3,434
Alcohol Education and Rehab.	493	1,237			1,730
County Curb Program	55,370			\$ 55,370	
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>-</u>	<u>27,427</u>	<u>-</u>	<u>-</u>	<u>27,427</u>
	<u>\$ 60,405</u>	<u>\$ 699,788</u>	<u>\$ 4,542</u>	<u>\$ 55,370</u>	<u>\$ 700,281</u>

Grants Receivable Cancellation \$ 55,370

**TRUST FUNDS**

**BOROUGH OF MONTVALE  
STATEMENT OF TRUST CASH - TREASURER**

	Animal Control <u>Fund</u>	Other Trust <u>Fund</u>	Unemployment Insurance <u>Fund</u>	Open Space Preservation Trust <u>Fund</u>
Balance, December 31, 2015	\$ 20,313	\$ 2,341,878	\$ 266,642	\$ 551,265
Increased by Receipts:				
State Dog License Fees	\$ 625			
Borough Dog License Fees	4,801			
Borough Cat License Fees	739			
Late Fees	80			
Interest Earned on Investments		\$ 1,074		
Escrow Deposits		905,368		
Miscellaneous Reserves and Deposits		420,189		
Payroll Deductions Payable		2,822,081		
Net Payroll Deposits		3,244,266		
Receipts from Current Fund	390			\$ 104,371
Employee Contributions-Unemployment	-	-	\$ 6,165	-
	<u>6,635</u>	<u>7,392,978</u>	<u>6,165</u>	<u>104,371</u>
	26,948	9,734,856	272,807	655,636
Decreased by Disbursements:				
Animal Control Expenditures Under				
R.S. 4:19-15.11	1,161			
Payments to State for Dog License Fees	640			
Payments to State for Unemployment Claims			3,616	
Payments to Current Fund	5,487	2,888		
Escrow Deposits		1,001,818		
Miscellaneous Reserves and Deposits		542,553		
Reserve for Open Space Preservation				59,766
Payroll Deductions Payable		2,820,883		
Net Payroll	-	3,244,266	-	-
	<u>7,288</u>	<u>7,612,408</u>	<u>3,616</u>	<u>59,766</u>
Balance, December 31, 2016	<u>\$ 19,660</u>	<u>\$ 2,122,448</u>	<u>\$ 269,191</u>	<u>\$ 595,870</u>



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

Balance, December 31, 2015	\$	33
Increased by:		
State Fees Collected		625
		658
Decreased by:		
Payments		640
Balance, December 31, 2016	\$	18

EXHIBIT B-5

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

Balance, December 31, 2015	\$	14,137
Increased by:		
Dog License Fees Collected - 2016	\$	4,801
Dog License Fees Collected - 2016 Prepays Applied		1,046
Cat License Fees Collected		739
Late Fees		80
		6,666
		20,803
Decreased by:		
Expenditures Under R.S.4:19-15.11		
Cash Disbursements	1,161	
Statutory Excess Due Current Fund	5,830	
		6,991
Balance, December 31, 2016	\$	13,812

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

Balance, December 31, 2015		\$	5,097
Increased by:			
Statutory Excess in Reserve for Animal Control Expenditures		\$	5,830
Receipts from Current Fund			<u>390</u>
			<u>6,220</u>
			11,317
Decreased by:			
Payments to Current Fund			<u>5,487</u>
Balance, December 31, 2016		\$	<u>5,830</u>

**STATEMENT OF PREPAID LICENSE FEES  
ANIMAL CONTROL FUND**

Balance, December 31, 2015		\$	1,046
Decreased by:			
Dog License Fees Revenue Realized 2016			<u>1,046</u>

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

Balance, December 31, 2015	\$	115
Increased by:		
Unemployment Claims Charged to Reserve		4,566
		4,681
Decreased by:		
Cash Disbursements		3,616
Balance, December 31, 2016	\$	1,065

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

Balance, December 31, 2015	\$	266,527
Increased by:		
Employee Contributions		6,165
		272,692
Decreased by:		
Unemployment Claims Due to State		4,566
Balance, December 31, 2016	\$	268,126

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

Balance, December 31, 2015	\$ 5,033
Increased by:	
Interest on Investments	390
	5,423
Decreased by:	
Payments to Current Fund	2,888
Balance, December 31, 2016	\$ 2,535

Analysis of Balance

Due to Current Fund - Developers' Accutrak Trust Account-Interest	\$ 35
Due to Current Fund - Flex Spending Account	2,500
	\$ 2,535

**STATEMENT OF ESCROW DEPOSITS  
OTHER TRUST FUND**

Balance, December 31, 2015	\$ 1,672,527
Increased by:	
Developers' Deposits	\$ 905,368
Developers' Interest Earned	684
	906,052
	2,578,579
Decreased by:	
Cash Disbursements	1,001,818
Balance, December 31, 2016	\$ 1,576,761

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

Balance, December 31, 2015	\$ 46,845
Increased by:	
Deposits:	
Payroll Deductions	2,822,081
	2,868,926
Decreased by:	
Disbursements:	
Payroll Deductions	2,820,883
Balance, December 31, 2016	\$ 48,043

EXHIBIT B-13

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

	Balance, December 31, <u>2015</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2016</u>
Engineering Fee Deposits	\$ 23,251	\$ 11,267	\$ 8,170	\$ 26,348
Planning Board Deposits	27,925		6,981	20,944
Affordable Housing Trust Fees	346,186	38,719	95,892	289,013
POAA Fees	1,183	312	881	614
Special Police Outside Duty Fees	74,410	218,284	245,361	47,333
Tax Title Lien Premiums	70,000	25,600	70,000	25,600
Celebration of Public Events Donations	1,317		534	783
Public Defender Fees	340	310	507	143
Performance Bond Deposits	29,362	14,842	7,042	37,162
Tax Title Liens - Outside Lienholder Deposits	-	75,703	75,703	-
DARE Program Donations	1,202			1,202
Uniform Fire Safety Act Penalty Monies	14,548	4,962	909	18,601
Fire Training/Equipment UFSA Penalty Monies	5,402	849	2,513	3,738
Historic Preservation Donations	1,596	25		1,621
Flex Spending Account Deposits	3,302	11,175	11,858	2,619
Vision Benefit Deposits	4,543	10,000	8,243	6,300
Retirement Dinner Deposits		8,140	7,919	221
North/South Park-Improvement Donations	12,906	1	40	12,867
	\$ 617,473	\$ 420,189	\$ 542,553	\$ 495,109

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

Increased by:		
Net Payroll Deposits		\$ 3,244,266
Decreased by:		
Disbursements - Net Payroll		<u>\$ 3,244,266</u>

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

Increased by:		
2016 Levy	\$ 101,863	
2016 Added Levy	<u>2,508</u>	
		\$ 104,371
Decreased by:		
Receipts from Current Fund		<u>\$ 104,371</u>

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

Balance, December 31, 2015		\$ 551,265
Increased by:		
Due from Current Fund		
2016 Levy	\$ 101,863	
2016 Added Levy	<u>2,508</u>	
		<u>104,371</u>
		655,636
Decreased by:		
Cash Disbursements for Expenditures	59,766	
Encumbrances Payable	<u>165,862</u>	
		<u>225,628</u>
Balance, December 31, 2016		<u>\$ 430,008</u>

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

Increased by:		
Charges to Reserve		<u>165,862</u>
Balance, December 31, 2016		<u>165,862</u>

**GENERAL CAPITAL FUND**

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

Balance, December 31, 2015		\$ 813,615
Increased by:		
Reserve for Improvement of Field	\$ 16,750	
Premium on Notes Issued	40,359	
Bond Anticipation Notes	5,700,000	
Receipts from Current Fund	<u>150,000</u>	
		<u>5,907,109</u>
		6,720,724
Decreased by Disbursements:		
Improvement Authorizations	1,548,556	
Encumbrances Payable	<u>203,925</u>	
		<u>1,752,481</u>
Balance, December 31, 2016		<u>\$ 4,968,243</u>



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

Fund Balance	\$ 64,149
Encumbrances Payable	3,670,880
Capital Improvement Fund	180,241
Reserve for Payment of Debt	5,059
Reserve for Improvement of Field	80,645
Reserve for Preliminary Expenses	700

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	
1348	Various Capital Improvements-2011	43,685
1386	Various Road Improvements	10,774
1389	Sanitary Sewer System	12,921
1405/1409	Construction of New Fire House	17,141
1413	Various Capital Improvements	882,048
		<u>\$ 4,968,243</u>

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

Increased by:	
Budget Appropriation - Capital Improvement Fund	\$ 150,000
Decreased by:	
Cash Receipts	<u>\$ 150,000</u>

**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance, December 31, 2015	\$ 6,580,000
Decreased by:	
2016 Budget Appropriations to Pay Bonds	<u>1,595,000</u>
Balance, December 31, 2016	<u>\$ 4,985,000</u>

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

<u>Ord.</u> <u>No.</u>	<u>Improvement Description</u>	<u>Analysis of Balance, December 31, 2016</u>					
		Balance January 1, 2016	2016 <u>Authorizations</u>	Balance December 31, 2016	Financed by Bond Anticipation Notes	<u>Expenditures</u>	Unexpended Improvement <u>Authorization</u>
1405/1409	Construction of New Firehouse	\$ 4,855,000		\$ 4,855,000	\$ 4,300,000		\$ 555,000
1413	Various Capital Improvements	-	\$ 1,425,000	1,425,000	1,400,000	-	25,000
		<u>\$ 4,855,000</u>	<u>\$ 1,425,000</u>	<u>\$ 6,280,000</u>	<u>\$ 5,700,000</u>	<u>\$ -</u>	<u>\$ 580,000</u>
Improvement Authorizations - Unfunded							\$ 1,479,189
Less: Unexpended Proceeds							
Ord# 1405/1409							\$ 17,141
Ord# 1413							<u>882,048</u>
							<u>899,189</u>
							<u>\$ 580,000</u>



**BOROUGH OF MONTVALE  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2015		\$ 204,072
Increased by:		
Charges to Improvement Authorizations		<u>3,670,880</u>
		3,874,952
Decreased by:		
Cancellations Restored to Improvement Authorizations	\$ 147	
Payments	<u>203,925</u>	
		<u>204,072</u>
Balance, December 31, 2016		<u>\$ 3,670,880</u>

**STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2015		\$ 105,241
Increased by:		
Budget Appropriation Due from Current Fund		<u>150,000</u>
		255,241
Decreased by:		
Appropriation to Finance Improvement Authorizations		<u>75,000</u>
Balance, December 31, 2016		<u>\$ 180,241</u>

EXHIBIT C-10

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

Balance, December 31, 2015	\$ <u>5,059</u>
Balance, December 31, 2016	\$ <u>5,059</u>

EXHIBIT C-11

**STATEMENT OF RESERVE FOR IMPROVEMENT OF FIELD**

Balance, December 31, 2015	\$ 63,895
Increased by:	
Cash Receipts - Field Use Fees	<u>16,750</u>
Balance, December 31, 2016	\$ <u>80,645</u>

EXHIBIT C-12

**STATEMENT OF RESERVE FOR PRELIMINARY EXPENSES**

Balance, December 31, 2015	\$ <u>700</u>
Balance, December 31, 2016	\$ <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, 2016</u>		<u>Interest Rate</u>	<u>Balance, December 31, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2016</u>
			<u>Date</u>	<u>Amount</u>					
Refunding Bonds	5/11/2010	\$ 3,775,000	8/15/2017	\$ 465,000					
			8/15/2018	455,000					
			8/15/2019	450,000	2.00-4.375 %	\$ 1,830,000		\$ 460,000	\$ 1,370,000
General Improvement	12/16/2011	3,695,000	12/15/17-20	425,000					
			12/15/2021	430,000	2.00-2.50	2,525,000		395,000	2,130,000
Refunding Bonds	7/26/2012	3,745,000	10/1/17	740,000	3.00				
			10/1/2018	745,000	4.00	<u>2,225,000</u>	<u>-</u>	<u>740,000</u>	<u>1,485,000</u>
						<u>\$ 6,580,000</u>	<u>\$ -</u>	<u>\$ 1,595,000</u>	<u>\$ 4,985,000</u>
								<u>\$ 1,595,000</u>	
									Paid by Budget Appropriation

**BOROUGH OF MONTVALE  
STATEMENT OF BOND ANTICIPATION NOTES**

<u>Ord. No.</u>	<u>Improvement Description</u>	<u>Date of Issue of Original Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance, December 31, 2015</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance, December 31, 2016</u>
1405/1409	Construction of New Firehouse	8/25/2016	8/25/2016	8/25/2017	1.50%		\$ 4,300,000		\$ 4,300,000
1413	Various Capital Improvements	8/25/2016	8/25/2016	8/25/2017	1.50%	-	1,400,000	-	1,400,000
						<u>\$ -</u>	<u>\$ 5,700,000</u>	<u>\$ -</u>	<u>\$ 5,700,000</u>
							Issued for Cash		<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 January 1, <u>2016</u>	2016 <u>Authorizations</u>	Bond Anticipation <u>Notes Issued</u>	Balance December 31, <u>2016</u>
1405/1409	Construction of New Firehouse	\$ 4,855,000		\$ 4,300,000	\$ 555,000
1413	Various Capital Improvements	<u>-</u>	<u>\$ 1,425,000</u>	<u>1,400,000</u>	<u>25,000</u>
		<u>\$ 4,855,000</u>	<u>\$ 1,425,000</u>	<u>\$ 5,700,000</u>	<u>\$ 580,000</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, 2015	\$ 35	\$ 9,887	\$ 9,922
Increased by:			
Receipts	<u>-</u>	<u>8,500</u>	<u>8,500</u>
	35	18,387	18,422
Decreased by:			
Disbursements	<u>-</u>	<u>12,564</u>	<u>12,564</u>
Balance, December 31, 2016	<u>\$ 35</u>	<u>\$ 5,823</u>	<u>\$ 5,858</u>

**STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES**

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Balance, December 31, 2015	\$ 35	\$ 9,887	\$ 9,922
Increased by:			
Revenues	<u>-</u>	<u>8,500</u>	<u>8,500</u>
	35	18,387	18,422
Decreased by:			
Expenditures	<u>-</u>	<u>12,564</u>	<u>12,564</u>
Balance, December 31, 2016	<u>\$ 35</u>	<u>\$ 5,823</u>	<u>\$ 5,858</u>

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

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
State Aid Payments	<u>          -</u>	<u>      \$ 8,500</u>	<u>      8,500</u>
Total Revenues/Receipts	<u>      \$ -</u>	<u>      \$ 8,500</u>	<u>      \$ 8,500</u>

**STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES**

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Current Year Assistance (Reported):			
Maintenance Payments		\$ 1,890	\$ 1,890
Temporary Rental Assistance	<u>          -</u>	<u>      10,674</u>	<u>      10,674</u>
Total Expenditures/Disbursements	<u>      \$ -</u>	<u>      \$ 12,564</u>	<u>      \$ 12,564</u>

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

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**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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DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SCAO, CPA  
SHERYL M. NICOLosi, CPA, PSA

## 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, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2017. 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 9, 2017

**BOROUGH OF MONTVALE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Federal Funding Department</u>	<u>State Account Number</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Grant Award Amount</u>	<u>2016 Grant Receipts</u>	<u>Balance, January 1, 2016</u>	<u>Revenue Realized</u>	<u>Expenditures</u>	<u>Adjustments/ (Cancellations)</u>	<u>Balance, December 31, 2016</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	\$ 4,125	\$ 4,125		\$ 4,125	\$ 4,125			\$ 4,125
U.S. Department of Homeland Security (Passed Through State Department of Law and Public Safety) FEMA Disaster Assistance Grant - Gabion Walls	4021-DR-NJ	97.036	2015	199,458		\$ 199,458				\$ 199,458	-
U.S. Department of Transportation (Passed Through State Department of Law and Public Safety) Occupancy Protection Grant	066-1160-100-157	20.616	2016	4,800	4,800		4,800	4,800			4,800
Impaired Driving Countermeasure	066-1160-100-157		2016	10,000	10,000	-	10,000	10,000	-	-	10,000
						<u>\$ 199,458</u>	<u>\$ 18,925</u>	<u>\$ 18,925</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, 2016**

<u>State Grant Program</u>	<u>Account Number</u>	<u>Grant Year</u>	<u>Grant Award</u>	<u>2016 Grant Receipts</u>	<u>Balance, January 1, 2016</u>	<u>Revenue Realized</u>	<u>Expended</u>	<u>Encumbrance Restored (Cancellations)</u>	<u>Balance, December 31, 2016</u>	<u>(Memo) Cumulative Expenditures</u>
Clean Communities Grant	042-4900-765-004	2016	\$ 20,821	\$ 20,821		\$ 20,821	\$ 19,214		\$ 1,607	\$ 19,214
		2015	18,208		\$ 18,208		18,208		-	18,208
Recycling Tonnage Grant	042-4900-752-001	2016	8,392	8,392		8,392	8,392		-	8,392
		2014	10,508		4,008		4,008		-	10,508
Municipal Drug and Alcohol Alliance Program(Passed Through County of Bergen)	N/A	2016	9,876	2,546		2,546	2,546		-	2,546
		2015	9,876		6,323			(6,323)	-	3,553
Body Armor Grant	066-1020-718-001	2016	2,264	2,264						
		2015	2,352			2,352	619		1,733	619
		2014	2,356		81		81		-	2,356
Alcohol Education and Rehabilitation Fund	098-9735-760-001	2016	2,037	2,037		786			786	-
		2015	1,965		1,237	728			1,965	-
		2014	236		36				36	200
		2013	580		457				457	123
Drunk Driving Enforcement Fund	1110-448-031020-22	2016	4,452	4,452		4,452	2,300		2,152	2,300
		2014	9,402		4,701		1,267		3,434	1,267
		2011	4,837		2,418		2,418		-	4,837
		2009	4,082		2,040		2,040		-	4,082
		2007	3,363		84		84		-	3,363
Dept. of Human Services General Assistance	054-7500-150-100-121/250	2016	8,500	8,500	9,887	8,500	12,564		5,823	12,564
Department of Transportation										
Municipal Aid										
Magnolia Ave	078-6320-480-AL5	2015	149,000	73,047	22,410			5,017	27,427	121,573
Terkuile Rd.	078-6320-480-ALW	2015	149,000	149,000				18,232	18,232	130,768
Safe Route to School	078-6320-480-XXX	2015	450,000		450,000	-	-	-	450,000	-
					<u>\$ 521,890</u>	<u>\$ 48,577</u>	<u>\$ 73,741</u>	<u>\$ 16,926</u>	<u>\$ 513,652</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, 2016**

**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	\$ 18,925	\$ 40,077	\$ 59,002
Public Assistance Fund	-	8,500	8,500
	<u>\$ 18,925</u>	<u>\$ 48,577</u>	<u>\$ 67,502</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 Uniform Guidance.

**BOROUGH OF MONTVALE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*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, 2016**

*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, 2016**

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**

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**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2016**

**BOROUGH OF MONTVALE  
SUPPLEMENTARY DATA**

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

	Year 2016		Year 2015	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 3,500,000	6.37 %	\$ 4,750,000	8.61 %
Miscellaneous - From Other Than Local				
Property Tax Levies	4,369,979	7.95	4,653,053	8.43
Collection of Delinquent Taxes				
Tax and Tax Title Liens	227,497	0.41	247,461	0.45
Collection of Current Tax Levy	46,050,189	83.82	44,605,293	80.86
Other Credits to Income	<u>794,070</u>	<u>1.45</u>	<u>909,660</u>	<u>1.65</u>
 Total Income	 <u>54,941,735</u>	 <u>100.00</u> %	 <u>55,165,467</u>	 <u>100.01</u> %
<b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	16,611,678	32.67 %	18,543,136	35.66 %
County Taxes	5,460,976	10.74	5,474,288	10.53
Local & Regional School Taxes	28,666,125	56.37	27,871,103	53.60
Municipal Open Space Taxes	104,371	0.21	103,702	0.20
Other Expenditures	<u>10,560</u>	<u>0.02</u>	<u>5,630</u>	<u>0.01</u>
 Total Expenditures	 <u>50,853,710</u>	 <u>100.00</u> %	 <u>51,997,859</u>	 <u>100.00</u> %
 Excess in Revenue	 4,088,025		 3,167,608	
Adjustments to Income before Fund Balance:				
Expenditures included above which are by				
Statute Deferred Charges to Budget of				
Succeeding Year				
	<u>-</u>		<u>50,000</u>	
 Statutory Excess to Fund Balance	 4,088,025		 3,217,608	
 Fund Balance, January 1	 <u>5,175,233</u>		 <u>6,707,625</u>	
	9,263,258		9,925,233	
 Less: Utilization as Anticipated Revenue	 <u>3,500,000</u>		 <u>4,750,000</u>	
 Fund Balance, December 31	 <u>\$ 5,763,258</u>		 <u>\$ 5,175,233</u>	



**BOROUGH OF MONTVALE  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	\$ <u>2.260</u>	\$ <u>2.201</u>	\$ <u>2.181</u>
<u>Apportionment of Tax Rate</u>			
Municipal	0.549	0.540	0.534
Library	0.036	0.035	0.038
Municipal Open Space	0.005	0.005	0.005
County	0.259	0.262	0.261
County Open Space	0.003	0.003	0.003
Local School	0.778	0.747	0.750
Regional High School	0.630	0.609	0.590

Assessed Valuation

2016	\$ <u>2,037,265,475</u>		
2015		\$ <u>2,056,162,005</u>	
2014			\$ <u>2,009,298,401</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>
2016	\$ 47,142,888	\$ 46,325,189	98.26%
2015	45,649,731	45,255,293	99.13%
2014	44,886,245	44,616,258	99.39%

**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>
2016	\$ 699,345	\$ 17,711	\$ 717,056	1.52%
2015	239,956	16,500	256,456	0.56%
2014	254,638	15,320	269,958	0.60%

**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>
2016	\$29,400
2015	29,400
2014	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	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
	2012	4,448,600	2,100,000

**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
Leah LaMonica	Councilwoman
Rose Curry	Councilwoman
Dieter Koelling	Councilman
Michael Weaver	Councilman
Timothy Lane	Councilman
Salvatore Talarico	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 Rutenber	Library Director
Harry D. Norton, Jr.	Magistrate
Catherine Cullen	Court Administrator and Violations Clerk
Christopher Botta	Prosecutor
Maser Consulting, PA	Engineer

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

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

**GENERAL COMMENTS**

**Current Year Finding**

**Finding** – Our audit of accrued time for compensated absences (unused sick and vacation days) revealed that attendance records were not maintained in a central file or location for all municipal departments. It was also noted that there were differences in the recording of days used per the supporting attendance calendars, time cards and attendance reports and that the prior year carry over days were not always based on the Borough's policy.

**Recommendation** – Attendance records utilized for the accounting of employee compensated absences be maintained in a central file and location for all municipal departments. In addition, attendance records and supporting reports be in agreement and carry over days be based on Borough policy.

**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 2016. The Borough has adopted a resolution increasing the threshold to \$40,000 and has appointed a qualified purchasing agent in accordance with regulations established by the Division of Local Government Services.

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

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

- North Ave Road Improvements
- Swim Pool Demolition & Site Restoration
- Construction of Firehouse
- Eagle Ridge Road Sanitary Sewer Extension

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5. Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear violations existed.

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

**GENERAL COMMENTS**

**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 3, 2016 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 2016, 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.

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on October 20, 2016.

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>
2016	2
2015	2
2014	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 attendance records utilized for the accounting of employee compensated absences be maintained in a central file and location for all municipal departments. In addition, attendance records and supporting reports be in agreement and carry over days be based on Borough policy.

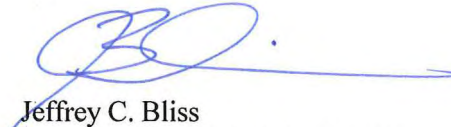
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A review was performed on all prior year recommendations and corrective action was taken on all.

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