

BOROUGH OF MONTVALE
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2012

BOROUGH OF MONTVALE

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BOROUGH OF MONTVALE
BERGEN COUNTY, NEW JERSEY

PART I

REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
YEAR ENDED DECEMBER 31, 2012



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

17-17 ROUTE 208
FAIR LAWN, NJ 07410
TELEPHONE (201) 791-7100
FACSIMILE (201) 791-3035
WWW.LVHCPA.COM

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Montvale, as of December 31, 2012 and 2011, 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, 2012, 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 principles 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. 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 of 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 and presented by the Borough of Montvale on the basis of financial accounting and reporting principles 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 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 requirement that the Borough of Montvale prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, 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, 2012 and 2011, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 15 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, 2012 and 2011. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 9.5 percent and 9.9 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2012 and 2011.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the 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, 2012 and 2011, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2012 in accordance with the basis of financial accounting and reporting principles 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

Required Supplementary Information

The Borough has not presented a management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards

Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

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 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 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*

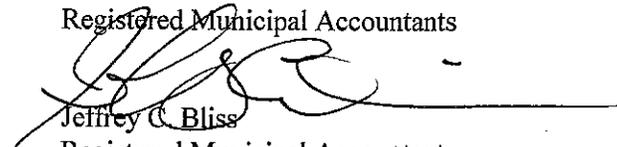
In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2013 on our consideration of the Borough of Montvale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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


Jeffrey C. Bliss

Registered Municipal Accountant

RMA Number CR00429

Fair Lawn, New Jersey
June 28, 2013

BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	A-4	\$ 6,771,311	\$ 5,991,555
Cash - Change Fund	A-5	400	400
Grants Receivable	A-7	<u>322,645</u>	<u>63,587</u>
		<u>7,094,356</u>	<u>6,055,542</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-9	621,678	251,865
Tax Title Liens Receivable	A-10	21,497	19,500
Property Acquired for Taxes at Assessed Valuation	A-11	29,400	29,400
Revenue Accounts Receivable	A-12	43,822	50,413
Due from Animal Control	B-6	2,278	
Due from Other Trust Fund	B-9	<u>1,028</u>	<u>16</u>
		<u>719,703</u>	<u>351,194</u>
Deferred Charges			
Special Emergency Authorizations	A-13	<u>110,000</u>	<u>-</u>
		<u>110,000</u>	<u>-</u>
Total Assets		<u>\$ 7,924,059</u>	<u>\$ 6,406,736</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Appropriation Reserves	A-3,A-14	\$ 1,186,571	\$ 872,710
Encumbrances Payable	A-15	535,659	561,003
Accounts Payable	A-16	30,106	22,871
Due to Length of Service Award Program Fund	B	26,450	25,300
Fees Payable	A-24	9,935	5,488
Prepaid Taxes	A-17	406,115	391,608
Tax Overpayments	A-18	38,953	59,155
County Taxes Payable - Added and Omitted Taxes	A-22	31,770	33,649
Prepaid Revenues- Sewer Fees	A-25	64,933	51,966
Due to State of New Jersey Senior Citizens' and Veterans' Deductions	A-8	5,493	4,118
Reserve for Tax Appeals	A-26	323,816	244,203
Miscellaneous Reserves	A-27	75,982	75,982
Reserve for Grants:			
Unappropriated	A-28	14,483	13,934
Appropriated	A-29	<u>5,490</u>	<u>20,912</u>
		<u>2,755,756</u>	<u>2,382,899</u>
Reserve for Receivables	A	719,703	351,194
Fund Balance	A-1	<u>4,448,600</u>	<u>3,672,643</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 7,924,059</u>	<u>\$ 6,406,736</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, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
REVENUE AND OTHER INCOME REALIZED			
Fund Balance Utilized	A-2	\$ 1,800,000	\$ 1,800,000
Miscellaneous Revenue Anticipated	A-2	3,139,603	2,690,580
Receipts from Delinquent Tax	A-2	247,685	289,677
Receipts from Current Taxes	A-2	40,407,327	39,638,195
Non-Budget Revenue	A-2	593,843	623,008
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-14	808,966	518,774
Voided Prior Year Outstanding Checks	A-4	1,696	
Statutory Excess in Animal Control Fund	B-6	2,278	
Cancelled Accounts Payable	A-16	5,955	4,000
Prior Year Interfunds Returned	A	16	-
		<u>47,007,369</u>	<u>45,564,234</u>
Total Income			
EXPENDITURES			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	4,460,047	4,204,649
Other Expenses	A-3	7,038,105	6,465,775
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	943,978	1,090,673
Capital Improvements	A-3	25,000	25,000
Municipal Debt Service	A-3	1,820,788	1,855,171
County Taxes Payable	A-21	4,961,331	4,768,048
Due County for Added Taxes	A-22	31,770	33,649
Local District School Taxes Payable	A-19	14,217,868	13,937,992
Regional High School Tax Payable	A-20	10,919,352	10,545,756
Municipal Open Space Taxes	A-23	119,367	119,485
Cancelled Grant Receivables	A		1,115
Prior Year Senior Citizen Deduction Disallowed	A-8	500	
Interfund Advances Originating	A	3,306	16
		<u>44,541,412</u>	<u>43,047,329</u>
Total Expenditures			
Excess in Revenue		2,465,957	2,516,905
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-13	110,000	-
		<u>2,575,957</u>	<u>2,516,905</u>
Statutory Excess to Fund Balance			
Fund Balance, January 1	A	3,672,643	2,955,738
		6,248,600	5,472,643
Decreased by:			
Utilization as Anticipated Revenue	A-1	1,800,000	1,800,000
Fund Balance, December 31	A	<u>\$ 4,448,600</u>	<u>\$ 3,672,643</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, 2012

	<u>Reference</u>	<u>Budget</u>	<u>Added by NJSA 40A:4-87</u>	<u>Realized</u>	<u>Excess or (Deficit)</u>
Surplus Anticipated	A-1	\$ 1,800,000	-	\$ 1,800,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	16,000		17,840	\$ 1,840
Other	A-2	21,000		22,825	1,825
Fees and Permits	A-2	165,000		183,144	18,144
Fines and Costs - Municipal Court	A-12	140,000		150,891	10,891
Interest and Costs on Taxes	A-12	55,000		70,727	15,727
Interest on Investments and Deposits	A-2	100		388	288
Uniform Fire Safety Act Local Enforcement Fees	A-12	70,000		85,394	15,394
Uniform Construction Code Fees	A-12	225,000		376,931	151,931
Energy Receipts Tax	A-12	1,262,378		1,262,378	
Municipal Court Shared Service	A-12	161,606		156,071	(5,535)
Uniform Fire Safety Act - LEA Rebate	A-12	7,500		14,290	6,790
Cable TV Franchise Fees	A-12	80,000		108,509	28,509
Sewer Agreement - Marriott Corporation	A-12	51,966		51,966	
Hotel/Motel Tax	A-12	155,000		186,672	31,672
Local School District - Fieldstone Fields	A-12	25,000		25,000	
Reserve for Payment of Debt	C-4	46,689		46,689	
Public and Private Revenues Offset With Appropriations					
Municipal Alliance on Alcoholism and Drug Abuse	A-7	10,356		10,356	
BCCD-Senior Citizen Activities	A-7		\$ 3,638	3,638	
BC Municipal Joint Insurance Fund - Police Accreditation Grant Program	A-7		25,000	25,000	
Municipal Escrow Account Police	A-7		34,926	34,926	
Clean Communities	A-7		13,607	13,607	
NJDOT - Akers Avenue	A-7		146,500	146,500	
Open Space Trust - Field School Baseball Field Imp.	A-7		127,225	127,225	
Recycling Tonnage Grant	A-28	6,893		6,893	
Drunk Driving Enforcement Fund	A-28	4,837		4,837	
Donation - Church	A-7	4,702		4,702	
Body Armor Grant - State Share	A-28	2,204	-	2,204	-
Total Miscellaneous Revenues	A-1	<u>2,511,231</u>	<u>350,896</u>	<u>3,139,603</u>	<u>277,476</u>
Receipts from Delinquent Taxes	A-1,A-2	205,000	-	247,685	42,685
Sub-Total General Revenues		<u>4,516,231</u>	<u>350,896</u>	<u>5,187,288</u>	<u>320,161</u>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes		10,010,233		10,835,504	825,271
Minimum Library Tax	A-2	757,697	-	757,697	-
		<u>10,767,930</u>	<u>-</u>	<u>11,593,201</u>	<u>825,271</u>
Total General Revenues	A-3	<u>\$ 15,284,161</u>	<u>\$ 350,896</u>	16,780,489	<u>\$ 1,145,432</u>
Non-Budget Revenue	A-1,A-2			593,843	
				<u>\$ 17,374,332</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, 2012**

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Current Taxes	A-9	\$ 40,557,327
Less: Reserve for Tax Appeals	A-26	<u>150,000</u>
Revenue from Current Taxes	A-1	40,407,327
Allocated to School, County and Municipal		
Open Space Taxes	A-19,A-20,A-21,A-22,A-23	<u>30,249,688</u>
Balance for Support of Municipal Budget Appropriation		10,157,639
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,435,562</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 11,593,201</u>
Licenses - Other		
Borough Clerk	A-12	<u>\$ 22,825</u>
	A-2	<u>\$ 22,825</u>
Fees and Permits		
Health Officer	A-12	\$ 678
Planning Board	A-12	30,894
Police	A-12	5,673
Tax Collector - Tax Search Fees	A-12	238
Recreation	A-12	73,263
Borough Clerk - Parking Permits	A-12	6,425
Construction Code Official	A-12	<u>65,973</u>
	A-2	<u>\$ 183,144</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-12	\$ 32
Due from Other Trust Fund	B-9	355
Due from General Capital Fund	C-4	<u>1</u>
	A-2	<u>\$ 388</u>

**BOROUGH OF MONTVALE
STATEMENT OF REVENUES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Reference</u>	
ANALYSIS OF NON-BUDGET REVENUE		
Refunds		\$ 43,475
Administration Fee - N.J. Seniors' and Veterans' Deductions		1,205
Cell Tower		25,154
DMV Inspection Fees		9,668
Sale of Assets		5,150
Recycling		6,414
Traffic Control		38,248
Excess Sewer Fees		197,127
Sewer Fees		56,371
Rental of Borough Property		24,000
US Department of Transportation-Click it Or Ticket Reimbursement		4,000
US Department of Transportation-Drive Sober Reimbursement		4,400
FEMA Reimbursement		178,209
Copies and Duplication Fees		412
Miscellaneous		<u>10</u>
	A-2,A-4	<u>\$ 593,843</u>

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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 - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Administrative and Executive					
Salaries and Wages	\$ 165,100	\$ 165,100	\$ 163,497	\$ 1,603	
Other Expenses	73,315	71,115	48,737	22,378	
Mayor and Council					
Salaries and Wages	41,950	41,950	41,948	2	
Other Expenses	9,050	9,050	5,590	3,460	
Borough Clerk					
Salaries and Wages	121,800	121,800	120,942	858	
Other Expenses	16,200	16,200	9,534	6,666	
Elections					
Salaries and Wages	1,500	1,500	1,105	395	
Other Expenses	10,100	10,100	7,723	2,377	
Financial Administration					
Salaries and Wages	183,900	183,900	179,959	3,941	
Other Expenses	18,300	20,500	19,198	1,302	
Audit Services					
Other Expenses	38,000	38,000	37,000	1,000	
Assessment of Taxes					
Salaries and Wages	31,655	31,655	31,652	3	
Other Expenses	39,560	39,560	29,240	10,320	
Reassessment Program		110,000	101,800	8,200	
Collection of Taxes					
Salaries and Wages	50,600	51,600	51,492	108	
Other Expenses	23,275	23,275	17,660	5,615	
Legal Services and Costs					
Other Expenses	215,000	215,000	199,376	15,624	
Engineering Services and Costs					
Other Expenses	85,000	85,000	50,982	34,018	
Cable TV Committee					
Salaries and Wages	6,890	6,890	6,885	5	
Other Expenses	12,900	12,900	10,702	2,198	

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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 - WITHIN "CAPS" (Continued)					
GENERAL GOVERNMENT FUNCTIONS (Continued)					
Historic Preservation Commission					
Other Expenses	\$ 600	\$ 600	\$ 35	\$ 565	
Historian					
Other Expenses	400	400	19	381	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	54,805	54,805	53,900	905	
Other Expenses	97,975	97,975	91,342	6,633	
Zoning Official					
Salaries and Wages	7,800	7,800	7,777	23	
Code Enforcement and Administration					
Property Maintenance					
Salaries and Wages	2,850	2,850	2,833	17	
Insurance					
Life Insurance	3,500	3,500	2,572	928	
General Liability	152,700	152,700	144,211	8,489	
Workers Compensation	170,000	170,000	166,098	3,902	
Employee Group Health	988,000	988,000	898,274	89,726	
Employee Group Health -Waiver	10,000	10,000	10,000	-	
Unemployment Insurance	115,000	115,000	115,000	-	
PUBLIC SAFETY FUNCTIONS					
Fire					
Other Expenses	103,000	103,000	100,247	2,753	
Fire Hydrant Service	195,000	195,000	173,769	21,231	
Police					
Salaries and Wages	2,585,625	2,580,625	2,505,829	74,796	
Other Expenses	95,420	95,420	72,977	22,443	
Purchase of Police Vehicles	49,600	49,600	38,808	10,792	
Police Dispatch					
Other Expenses	40,000	40,000	29,770	10,230	

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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 - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Continued)					
First Aid Organization					
Other Expenses	\$ 23,500	\$ 27,500	\$ 25,720	\$ 1,780	
Emergency Management					
Salaries and Wages	2,325	2,325	2,315	10	
Other Expenses	9,825	9,825	7,620	2,205	
Uniform Fire Safety Act					
Salaries and Wages	42,000	42,000	41,638	362	
Other Expenses	10,300	10,300	8,828	1,472	
Prosecutor					
Other Expenses	12,000	12,000	12,000	-	
PUBLIC WORKS FUNCTIONS					
Road Repair and Maintenance					
Salaries and Wages	581,705	581,705	552,952	28,753	
Other Expenses	306,525	272,525	188,589	83,936	
Sewer System					
Other Expenses	51,500	56,500	52,952	3,548	
Garbage and Trash Removal					
Other Expenses	425,000	425,000	413,318	11,682	
Recycling					
Salaries and Wages	8,275	8,275	8,273	2	
Other Expenses	120,000	120,000	71,781	48,219	
Public Buildings and Grounds					
Salaries and Wages	90,963	92,963	92,161	802	
Other Expenses	85,792	97,792	84,112	13,680	
Maintenance of All Vehicles					
Other Expenses	118,000	133,000	114,910	18,090	
Municipal Services Act					
Other Expenses	15,000	15,000	12,081	2,919	

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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	\$ 2,400	\$ 2,400	\$ 1,827	\$ 573	
Other Expenses	81,025	81,025	66,626	14,399	
Environmental Commission					
Salaries and Wages	1,265	1,265	1,150	115	
Other Expenses	950	950	357	593	
Animal Regulation					
Other Expenses	9,800	9,800	9,800	-	
Administration of Public Assistance					
Salaries and Wages	5,940	5,940	5,938	2	
Other Expenses	200	200	192	8	
PARK AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Salaries & Wages	5,000	5,000	5,000	-	
Other Expenses	4,000	4,000	2,719	1,281	
Recreation Services and Programs					
Salaries and Wages	81,305	81,305	74,842	6,463	
Other Expenses	18,550	18,550	14,734	3,816	
Senior Citizen Van					
Salaries and Wages	15,600	15,600	14,104	1,496	
Senior Citizens					
Other Expenses	8,700	8,700	5,978	2,722	
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	89,424	89,424	84,278	5,146	
Other Expenses	6,898	6,898	6,641	257	

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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 - WITHIN "CAPS" (Cont'd)					
MUNICIPAL COURT FUNCTIONS (Continued)					
Public Defender					
Other Expenses	\$ 3,360	\$ 3,360	\$ 3,360		
STATE UNIFORM CONSTRUCTION CODE					
Construction Code Officials					
Salaries and Wages	85,100	86,100	85,383	\$ 717	
Other Expenses	5,800	5,800	3,862	1,938	
Building Subcode Official					
Salaries and Wages	35,175	35,175	35,169	6	
Plumbing Subcode Official					
Salaries and Wages	18,100	19,100	18,473	627	
Fire Subcode Official					
Salaries and Wages	13,600	13,600	13,571	29	
Electrical Subcode Official					
Salaries and Wages	18,100	19,100	18,471	629	
Elevator Subcode Official					
Salaries and Wages	9,000	9,000	8,985	15	
UNCLASSIFIED					
Utilities					
Gasoline	100,000	100,000	86,843	13,157	
Electricity	183,000	183,000	101,706	81,294	
Telephone	52,000	52,000	38,897	13,103	
Natural Gas	71,000	71,000	22,483	48,517	
Street Lighting	140,000	140,000	107,760	32,240	
Total Operations Within "CAPS"	8,791,372	8,899,372	8,076,882	822,490	-
Contingent	1,000	1,000	357	643	-
Total Operations including Contingent - Within "CAPS"	8,792,372	8,900,372	8,077,239	823,133	-
Detail:					
Salaries and Wages	4,364,752	4,360,752	4,232,349	128,403	-
Other Expenses	4,427,620	4,539,620	3,844,890	694,730	-

**BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended Balance <u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
STATUTORY CHARGES					
Social Security System (O.A.S.I.)	\$ 209,500	\$ 207,400	\$ 176,899	\$ 30,501	
Defined Contribution Retirement Plan (DCRP)	4,300	5,300	4,285	1,015	
Public Employees Retirement System	166,983	168,083	168,038	45	
Police and Fireman's Retirement System of NJ	<u>561,667</u>	<u>561,667</u>	<u>561,667</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures Municipal Within "CAPS"	<u>942,450</u>	<u>942,450</u>	<u>910,889</u>	<u>31,561</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>9,734,822</u>	<u>9,842,822</u>	<u>8,988,128</u>	<u>854,694</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library Chap. 82, 541 P.L. 85	757,697	757,697	753,254	4,443	
Sewerage Processing and Disposal (Sanitation Chap. 74, P.L. 87) Contractual	905,000	907,000	906,968	32	
Reserve for Tax Appeals	150,000	150,000	150,000		
Recycling Tax	12,000	12,000	9,784	2,216	
Employee Group Health	7,000	7,000		7,000	
Length of Service Award Program (LOSAP)	50,000	50,000	26,450	23,550	
Police Dispatch/911 Other Expenses	170,000	170,000	169,934	66	

BOROUGH OF MONTVALE
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<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)					
Municipal Court					
Salaries & Wages	\$ 96,876	\$ 96,876	\$ 91,301	\$ 5,575	
Other Expenses	48,090	48,090	47,400	690	
Prosecutor					
Other Expenses	13,000	13,000	13,000	-	
Public Defender					
Other Expenses	3,640	3,640	3,640	-	-
Total Other Operations Excluded from "CAPS"	<u>2,213,303</u>	<u>2,215,303</u>	<u>2,171,731</u>	<u>43,572</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Recycling Tonnage	6,893	6,893	6,893		
Clean Communities		13,607	13,607		
Municipal Alliance Program					
State Share	10,356	10,356	4,491	5,865	
Local Share	2,589	2,589	1,123	1,466	
Drunk Driving Enforcement					
Salaries and Wages	2,419	2,419	2,419		
Other Expenses	2,418	2,418		2,418	
CDBG Sr. Citizen Activities		3,638	275	3,363	
Body Armor-State Share	2,204	2,204	736	1,468	
NJDOT - Akers Avenue		146,500		146,500	
Office of the County Prosecutor - MEA		34,926	34,926	-	
Donation-Montvale Evangelical Church	4,702	4,702	4,702	-	
Police Accreditation Grant		25,000	25,000	-	
Open Space - Fieldstone Improvements	-	127,225	-	127,225	-
Total Public and Private Programs Offset by Revenues	<u>31,581</u>	<u>382,477</u>	<u>94,172</u>	<u>288,305</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,244,884</u>	<u>2,597,780</u>	<u>2,265,903</u>	<u>331,877</u>	<u>-</u>
Detail:					
Salaries and Wages	99,295	99,295	93,720	5,575	-
Other Expenses	2,145,589	2,498,485	2,172,183	326,302	-
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>-</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, 2012

	<u>Appropriated</u>	<u>Budget After</u>	<u>Expended</u>	<u>Unexpended</u>
	<u>Budget</u>	<u>Modification</u>	<u>Paid or</u>	<u>Balance</u>
			<u>Charged</u>	<u>Cancelled</u>
			<u>Reserved</u>	
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"				
Payment of Bond Principal	\$ 1,445,000	\$ 1,470,000	\$ 1,470,000	
Payment of Bond Anticipation Notes				
Interest on Bonds	<u>397,365</u>	<u>372,365</u>	<u>350,788</u>	<u>\$ 21,577</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>1,842,365</u>	<u>1,842,365</u>	<u>1,820,788</u>	<u>21,577</u>
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"				
Deferred Charges - Unfunded				
Ord. No. 1201	550	550	550	
Ord. No. 1242	<u>978</u>	<u>978</u>	<u>978</u>	<u>-</u>
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>1,528</u>	<u>1,528</u>	<u>1,528</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	<u>4,113,777</u>	<u>4,466,673</u>	<u>4,113,219</u>	<u>\$ 331,877</u>
Subtotal General Appropriations	13,848,599	14,309,495	13,101,347	1,186,571
Reserve for Uncollected Taxes	<u>1,435,562</u>	<u>1,435,562</u>	<u>1,435,562</u>	<u>-</u>
Total General Appropriations	<u>\$ 15,284,161</u>	<u>\$ 15,745,057</u>	<u>\$ 14,536,909</u>	<u>\$ 1,186,571</u>
	<u>Reference</u>	A-2	A-1	A,A-1
Budget as Adopted	A-3	\$ 15,284,161		
Appropriation by 40A:4-87	A-2	350,896		
Special Emergency Appropriation	A-13	<u>110,000</u>		
		<u>\$ 15,745,057</u>		
Cash Disbursed	A-4		\$ 12,358,017	
Encumbrances Payable	A-15		535,659	
Due to LOSAP Fund	B		26,450	
Due to General Capital Fund	C-4		31,221	
Reserve for Tax Appeals	A-26		150,000	
Reserve for Uncollected Taxes	A-2		<u>1,435,562</u>	
			<u>\$ 14,536,909</u>	

**BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011**

ASSETS	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ANIMAL CONTROL FUND			
Cash	B-3	\$ <u>17,588</u>	\$ <u>9,803</u>
OTHER TRUST FUND			
Cash	B-3	<u>2,419,380</u>	<u>1,838,575</u>
UNEMPLOYMENT INSURANCE FUND			
Cash	B-3	<u>174,643</u>	<u>87,280</u>
OPEN SPACE PRESERVATION TRUST FUND			
Cash	B-3	<u>539,367</u>	<u>532,817</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Investments	B	305,341	246,667
Due from Current Fund	A	<u>26,450</u>	<u>25,300</u>
		<u>331,791</u>	<u>271,967</u>
Total Assets		<u>\$ 3,482,769</u>	<u>\$ 2,740,442</u>

**BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES AND RESERVES			
ANIMAL CONTROL FUND			
Due to State of NJ	B-4	\$ 18	\$ 18
Due to Current Fund	B-6	2,278	
Reserve for Animal Control Expenditures	B-5	<u>15,292</u>	<u>9,785</u>
		<u>17,588</u>	<u>9,803</u>
OTHER TRUST FUND			
Due to Current Fund	B-9	1,028	16
Escrow Deposits	B-10	930,393	468,179
Miscellaneous Reserves and Deposits	B-11	1,442,916	1,327,698
Payroll Deductions Payable	B-12	<u>45,043</u>	<u>42,682</u>
		<u>2,419,380</u>	<u>1,838,575</u>
UNEMPLOYMENT INSURANCE FUND			
Due to State - Claims Payable	B-8	150	7,170
Reserve for Unemployment Compensation Insurance Claims	B-7	<u>174,493</u>	<u>80,110</u>
		<u>174,643</u>	<u>87,280</u>
OPEN SPACE PRESERVATION TRUST FUND			
Reserve for Open Space Preservation	B-15	<u>539,367</u>	<u>532,817</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)			
Reserve for LOSAP Contributions	B	<u>331,791</u>	<u>271,967</u>
Total Liabilities and Reserves		<u>\$ 3,482,769</u>	<u>\$ 2,740,442</u>

BOROUGH OF MONTVALE
STATEMENT OF REVENUES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Anticipated Budget (Memo)	Realized	Excess or (Deficit)
Amount to be Raised by Taxation	\$ 118,762	\$ 119,367	\$ 605
<u>Reference</u>	B-2	B-15	

EXHIBIT B-2

STATEMENT OF EXPENDITURES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budget (Memo)	Appropriated Budget After Modification (Memo)	Paid or Charged	Expended Reserved
Maintenance of Land for Recreation and Conservation				
Salaries and Wages		\$ 31,000	\$ 31,000	
Other Expenses		81,817	81,817	
Reserve for Future Use	\$ 118,762	5,945	-	5,945
	<u>\$ 118,762</u>	<u>\$ 118,762</u>	<u>\$ 112,817</u>	<u>\$ 5,945</u>
<u>Reference</u>	B-1	B-1	B-15	

**BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	C-2,C-3	\$ 1,178,125	\$ 2,375,719
Deferred Charges to Future Taxation			
Funded	C-5	11,175,000	12,663,000
Unfunded	C-6	<u>-</u>	<u>1,528</u>
 Total Assets		 <u>\$ 12,353,125</u>	 <u>\$ 15,040,247</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-12	\$ 11,175,000	\$ 12,663,000
Encumbrances Payable	C-7	196,392	790,137
Improvement Authorizations			
Funded	C-11	695,235	1,297,886
Unfunded	C-11		550
Capital Improvement Fund	C-8	94,741	69,741
Reserve for Payment of Debt	C-9	5,059	2,680
Reserve for Improvement of Field	C-10	22,900	17,428
Fund Balance	C-1	<u>163,798</u>	<u>198,825</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 12,353,125</u>	 <u>\$ 15,040,247</u>

There were bonds and notes authorized but not issued on December 31, 2012 and 2011 of \$0 and \$1,528, respectively (Exhibit C-13).

BOROUGH OF MONTVALE
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	C	\$ 198,825	\$ 56,276
Increased by:			
Premium on Sale of Bonds	C-1		142,549
Excess Proceeds of Bond Issuance Costs	C-2	<u>11,662</u>	<u>-</u>
		210,487	198,825
Decreased by:			
Current Fund Anticipated Revenue	C-4	<u>46,689</u>	<u>-</u>
Balance, December 31	C	<u>\$ 163,798</u>	<u>\$ 198,825</u>

BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	D-1	\$ 10,264	\$ 1,377
Total Assets		<u>\$ 10,264</u>	<u>\$ 1,377</u>
LIABILITIES AND RESERVES			
Reserve for Public Assistance Expenditures	D-2	\$ 10,264	\$ 1,377
Total Liabilities and Reserves		<u>\$ 10,264</u>	<u>\$ 1,377</u>

**BOROUGH OF MONTVALE
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Land and Land Improvements	\$ 18,077,602	\$ 18,077,602
Buildings and Building Improvements	13,940,746	13,940,746
Machinery and Equipment	<u>7,320,437</u>	<u>7,201,741</u>
	<u>\$ 39,338,785</u>	<u>\$ 39,220,089</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 39,338,785</u>	<u>\$ 39,220,089</u>

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NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. Reporting Entity

The Borough of Montvale (the "Borough") was incorporated in 1894 and operates under an elected Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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

The 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.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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:

Property Tax Revenues - 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 June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - 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 - 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.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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 2012 and 2011 the Borough Council increased the original budget by \$460,896 and \$18,253. The increases in 2012 were funded by additional aid allotted to the Borough in the amount of \$350,896 and a special emergency appropriation for a Borough-wide Reassessment Program in the amount of \$110,000. The increase in 2011 was funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2012 and 2011.

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.

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.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

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.

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.

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.

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

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

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

Fixed Assets purchased after December 31, 1995 are stated as 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, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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.

Reclassifications - Certain reclassifications have been made to the December 31, 2011 balances to conform to the December 31, 2012 presentation.

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.

D. 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.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 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.

Deposits

The Borough's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), 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 for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the Borough's deposits were \$11,111,078 and \$10,837,526 and bank and brokerage firm balances of the Borough's deposits amounted to \$12,279,446 and \$11,234,140, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2012</u>	<u>2011</u>
Insured	\$ 12,221,133	\$ 11,175,859
Uninsured and Collateralized	<u>58,313</u>	<u>58,281</u>
	<u>\$ 12,279,446</u>	<u>\$ 11,234,140</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2012 and 2011, the Borough's bank balances of \$58,313 and \$58,281 were exposed to custodial credit risk as follows:

	<u>2012</u>	<u>2011</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 58,313</u>	<u>\$ 58,281</u>

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

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.

As of December 31, 2012 and 2011, the Borough had the following investments:

	Fair Value (LOSAP)	
	<u>2012</u>	<u>2011</u>
Investment:		
Lincoln Financial Group LOSAP Investment Fund (Unaudited)	\$ 305,341	\$ 246,667

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, 2012 and 2011, \$305,341 and \$246,667 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (LOSAP)	
	<u>2012</u>	<u>2011</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (Unaudited)	\$ 305,341	\$ 246,667

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2012 and 2011, the Borough’s investment in Lincoln Financial Group was rated Baa2 by Moody’s Investor Services.

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

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

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

NOTE 3 TAXES RECEIVABLE

Receivables at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
<u>Current</u>		
Property Taxes	\$ 621,678	\$ 251,865
Tax Title Liens	<u>21,497</u>	<u>19,500</u>
	<u>\$ 643,175</u>	<u>\$ 271,365</u>

In 2012 and 2011, the Borough collected \$247,685 and \$289,677 from delinquent taxes, which represented 91% and 89% of the prior year delinquent taxes receivable balance.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 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 the general capital fund. 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>2012</u>	<u>2011</u>
Issued		
General		
Bonds and Notes	\$ 11,175,000	\$ 12,663,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>5,059</u>	<u>2,680</u>
Net Debt Issued	11,169,941	12,660,320
Authorized But Not Issued		
General		
Bonds and Notes	<u>-</u>	<u>1,528</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 11,169,941</u>	<u>\$ 12,661,848</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 .48% and .56% at December 31, 2012 and 2011, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
General Debt	\$ 11,175,000	\$ 5,059	\$ 11,169,941
School Debt	<u>11,817,502</u>	<u>11,817,502</u>	<u>-</u>
Total	<u>\$ 22,992,502</u>	<u>\$ 11,822,561</u>	<u>\$ 11,169,941</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
General Debt	\$ 12,664,528	\$ 2,680	\$ 12,661,848
School Debt	<u>12,230,018</u>	<u>12,230,018</u>	<u>-</u>
Total	<u>\$ 24,894,546</u>	<u>\$ 12,232,698</u>	<u>\$ 12,661,848</u>

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 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>2012</u>	<u>2011</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 80,001,705 <u>11,169,941</u>	\$ 78,824,786 <u>12,661,848</u>
Remaining Borrowing Power	<u>\$ 68,831,764</u>	<u>\$ 66,162,938</u>

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>2012</u>	<u>2011</u>
\$7,413,000, 2003 Bonds, due in annual installments of \$750,000 through October, 2013, interest at 3.50% to 3.625%	\$ 750,000	\$ 5,263,000
\$3,775,000, 2010 Refunding Bonds, due in annual installments of \$450,000 to \$480,000 through August, 2019, interest at 2.00% to 4.375%	3,225,000	3,705,000
\$3,695,000, 2011 Bonds, due in annual installments of \$215,000 to \$430,000 through December, 2021, interest at 2.00% to 2.50%	3,480,000	3,695,000
\$3,745,000, 2012 Refunding Bonds, due in annual installments of \$25,000 to \$750,000 through October, 2018, interest at 3.00% to 4.00%	<u>3,720,000</u>	<u>-</u>
	<u>\$ 11,175,000</u>	<u>\$ 12,663,000</u>

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2012 is as follows:

Calendar Year	General		Total
	Principal	Interest	
2013	\$ 1,490,000	\$ 335,287	\$ 1,825,287
2014	1,530,000	293,300	1,823,300
2015	1,575,000	249,100	1,824,100
2016	1,595,000	200,950	1,795,950
2017	1,630,000	152,450	1,782,450
2018-2021	<u>3,355,000</u>	<u>185,588</u>	<u>3,540,588</u>
	<u>\$ 11,175,000</u>	<u>\$ 1,416,675</u>	<u>\$ 12,591,675</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2012 and 2011 were as follows:

	Balance, December 31, <u>2011</u>	<u>Increase</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>					
General Capital Fund Bonds Payable	<u>\$ 12,663,000</u>	<u>\$ 3,745,000</u>	<u>\$ 5,233,000</u>	<u>\$ 11,175,000</u>	<u>\$ 1,490,000</u>
	Balance, December 31, <u>2010</u>	<u>Increases</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>Year</u>
<u>2011</u>					
General Capital Fund Bonds Payable	<u>\$ 10,198,000</u>	<u>\$ 3,695,000</u>	<u>\$ 1,230,000</u>	<u>\$ 12,663,000</u>	<u>\$ 1,445,000</u>

**BOROUGH OF MONTVALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2012 and 2011 was as follows:

Bond Anticipation Notes

2012

There were none.

	Balance, December 31, <u>2010</u>	Renewals/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
<u>General Capital Fund</u>				
<u>Purpose</u>				
Fire Dept. Facility Impvts. and Equip. Acquisitions	\$ 621,291		\$ 621,291	
Road Improvements	355,783		355,783	
Various Capital Improvements	<u>922,926</u>	<u>-</u>	<u>922,926</u>	<u>-</u>
	<u>\$ 1,900,000</u>	<u>\$ -</u>	<u>\$ 1,900,000</u>	<u>\$ -</u>

The purpose of these short-time 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, 2012 AND 2011**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2012 and 2011.

	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Land and Land Improvements	\$ 18,077,602			\$ 18,077,602
Buildings and Building Improvements	13,940,746			13,940,746
Machinery and Equipment	<u>7,201,741</u>	<u>118,696</u>	<u>-</u>	<u>7,320,437</u>
	<u>\$ 39,220,089</u>	<u>\$ 118,696</u>	<u>\$ -</u>	<u>\$ 39,338,785</u>
	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Land and Land Improvements	\$ 18,077,602			\$ 18,077,602
Buildings and Building Improvements	13,909,556	\$ 31,190		13,940,746
Machinery and Equipment	<u>6,939,325</u>	<u>262,416</u>	<u>-</u>	<u>7,201,741</u>
	<u>\$ 38,926,483</u>	<u>\$ 293,606</u>	<u>\$ -</u>	<u>\$ 39,220,089</u>

NOTE 6 DUE TO/FROM OTHER FUNDS

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

	<u>2012</u>		<u>2011</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 3,306	\$ 26,450	\$ 16	\$ 25,300
Trust Funds				
Animal Control		2,278		
Other Trust		1,028		16
LOSAP Fund	<u>26,450</u>	<u>-</u>	<u>25,300</u>	<u>-</u>
 Total	 <u>\$ 29,756</u>	 <u>\$ 29,756</u>	 <u>\$ 25,316</u>	 <u>\$ 25,316</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, 2012 AND 2011**

NOTE 7 FUND BALANCES APPROPRIATED

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

	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 4,015,955	\$ 2,100,000	\$ 3,609,056	\$ 1,800,000
Non-Cash Surplus	<u>432,645</u>	<u>-</u>	<u>63,587</u>	<u>-</u>
	<u>\$ 4,448,600</u>	<u>\$ 2,100,000</u>	<u>\$ 3,672,643</u>	<u>\$ 1,800,000</u>

NOTE 8 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:

	Balance <u>December 31,</u>	Subsequent Year Budget <u>Appropriation</u>	Balance to Succeeding <u>Budgets</u>
<u>2012</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 110,000</u>	<u>\$ 22,000</u>	<u>\$ 88,000</u>

NOTE 9 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 death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$532,041 and \$478,251 at December 31, 2012 and 2011, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 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 June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

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.

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.

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.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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 or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

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, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports 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.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 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, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included: (a) a revised investment rate of return for all the retirement systems from 8.25 percent to 7.95 percent; and (b) revised projected salary increases which vary by fund (6.32% for PFRS and 4.52% for PERS).

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 6.50% for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 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.

**BOROUGH OF MONTVALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2012, 2011 and 2010, the Borough was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS (1)</u>	<u>DCRP</u>
2012	\$ 561,667	\$ 227,692	\$ 4,285
2011	701,184	228,531	1,943
2010	582,051	191,672	1,389

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

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

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

NOTE 12 RISK MANAGEMENT

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

The Borough of Montvale is a member of the Bergen County Municipal Joint Insurance Fund (BJIF), Municipal Excess Liability Joint Insurance Fund (MEL) and the Bergen Municipal Employees Benefit 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, worker's compensation and employee health benefits. 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.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 12 RISK MANAGEMENT (Continued)

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>
2012	\$ 115,000	\$ 6,249	\$ 26,866	\$ 174,493
2011	50,000	6,027	15,158	80,110
2010	25,000	6,168	36,817	39,241

NOTE 13 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, 2012 and 2011. 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, 2012 and 2011, the Borough reserved \$323,816 and \$244,203, 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, 2012 and 2011, 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.

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 14 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, 2012 and 2011, the Borough had not estimated arbitrage earnings due to the IRS.

NOTE 15 LENGTH OF SERVICE AWARDS PROGRAM (LOSAP)-UNAUDITED

The Borough of Montvale Length of Service Awards 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.

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 \$1,150 and \$1,150 for 2012 and 2011, respectively, for each eligible volunteer fire department member into the Plan. The total Borough contributions were \$26,450 and \$25,300 for 2012 and 2011, 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.

**BOROUGH OF MONTVALE
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

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 years ended December 31, 2012 and 2011 were \$14,415 and \$12,159, respectively.

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

NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2012</u>		
Road Improvements	\$ 41,560	2013
<u>2011</u>		
Road Improvements	516,095	2012

**BOROUGH OF MONTVALE
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 17 DEFEASANCE OF DEBT

On July 26, 2012, the Borough issued \$3,745,000 in General Obligation Refunding Bonds having an interest rate of 3.00% to 4.00%. These bonds were issued in order to advance refund certain principal maturities and certain interest payments of the Series 2003 General Improvement Bonds of the Borough. The total bond principal defeased was \$3,763,000 and the total interest payments defeased was \$204,613. The net proceeds of \$3,958,475 (after payment of underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments. As a result, the advance refunding met the requirements of an in-substance debt defeasance and the refunded bond liability was removed from the General Capital Fund. This advance refunding resulted in the issuance of \$18,000 less in bonds and resulted in an increase of cash flows over the life of these bond issues in the amount \$120,501. The economic gain (difference between the present value of the old and new debt service payments) was \$115,920. The advanced refunding was undertaken to reduce total debt service payments over the current year and the next 6 years by \$120,501.

NOTE 18 HURRICANE SANDY

On October 29, 2012 Hurricane Sandy, the largest Atlantic hurricane on record made landfall in New Jersey and resulted in severe damage in numerous communities and a federal disaster was declared throughout the State. The Borough has incurred significant costs in the clean up and recovery from this federal disaster. The Federal Emergency Management Agency ("FEMA") provides emergency grant assistance (voluntary nonexchange transaction) to help government's cope with losses. Although the Borough has applied for reimbursement from FEMA, the total amount to be received in conjunction with this event is not considered to be measurable with sufficient reliability and therefore has not been recognized in the financial statements as of December 31, 2012.

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CURRENT FUND

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

Balance, December 31, 2011	\$ 5,991,555
Increased by:	
Taxes Receivable	\$ 40,354,029
Nonbudget Revenue	593,843
Prepaid Revenues	64,933
Due from State of NJ - Senior Citizens' and Veterans' Deductions	60,250
Revenue Accounts Receivable	2,660,704
Grants Receivable	101,216
Receipts from Other Trust Fund	343
Receipts from General Capital Fund	15,469
Fees Payable	31,757
Prepaid Taxes	406,115
Reserve for Grants - Unappropriated	14,483
Petty Cash	500
Tax Overpayments	256,153
Voided Prior Year Outstanding Checks	1,696
	<u>44,561,491</u>
	50,553,046
Decreased by Disbursements:	
2012 Budget Appropriations	12,358,017
2011 Appropriation Reserves	74,894
County Taxes Payable	4,961,331
Due to County for Added and Omitted Taxes	33,649
Local School District Tax Payable	14,217,868
Regional High School Taxes Payable	10,919,352
Payments to Open Space Preservation Trust Fund	119,367
Accounts Payable	5,604
Encumbrances Payable	520,894
Petty Cash	500
Reserve for Grants - Appropriated	19,907
Payments to Other Trust Fund	1,000
Payments to LOSAP Fund	25,300
Tax Overpayments Refunded	276,355
Fees Payable	27,310
Tax Appeals	220,387
	<u>43,781,735</u>
Balance, December 31, 2012	<u>\$ 6,771,311</u>

**BOROUGH OF MONTVALE
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2011</u>	Balance, December 31, <u>2012</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>\$ 500</u>	<u>\$ 500</u>

**BOROUGH OF MONTVALE
STATEMENT OF GRANTS RECEIVABLE**

	Balance, December 31, <u>2011</u>	Revenue <u>Realized</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2012</u>
BCCD - Senior Citizens Activities	\$ 4,469	\$ 3,638	\$ 4,469		\$ 3,638
Municipal Alliance Program - 2012		10,356			10,356
Municipal Alliance Program - 2011	9,118		3,438	\$ 5,680	
NJ Department of Transportation-Woodland Road Sec. II	50,000		50,000		
NJ Department of Transportation- Akers Ave		146,500			146,500
Police Accreditation Grant Program		25,000	25,000		
County of Bergen Municipal Escrow - Police		34,926			34,926
County Open Space Fieldstone Improvements		127,225			127,225
Donation - Montvale Evangelical Church		4,702	4,702		
Clean Communities Grant	-	13,607	13,607	-	-
	<u>\$ 63,587</u>	<u>\$ 365,954</u>	<u>\$ 101,216</u>	<u>\$ 5,680</u>	<u>\$ 322,645</u>
Reserve for Grants-Appropriated				<u>\$ 5,680</u>	

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

Balance, December 31, 2011		\$ 4,118
Increased by:		
Payment from State of New Jersey	\$ 60,250	
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2012	750	
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2011	<u>500</u>	
		<u>61,500</u>
		65,618
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	4,000	
Veterans' Deductions Per Tax Billings	54,500	
Veterans'/Senior Citizen Deductions Allowed by Tax Collector-2012	<u>1,625</u>	
		<u>60,125</u>
Balance, December 31, 2012		<u>\$ 5,493</u>

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

Year	Balance, December 31, 2011	2012 Levy	Adjustments	Senior Citizens' and Veterans' Deductions Disallowed	2011 Collections	2012 Collections	Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transferred to Tax Title Liens	Balance, December 31, 2012
2009			\$ 19,828							\$ 19,828
2010	\$ 12,622		128,070		\$	12,622				128,070
2011	239,243	-	91,909	\$ 500	-	235,063	-	\$ 3,768	841	91,980
2012	251,865	-	239,807	500	-	247,685	-	3,768	841	239,878
	-	\$ 41,257,864	-	750	\$ 391,608	40,106,344	\$ 60,125	317,581	1,156	381,800
	\$ 251,865	\$ 41,257,864	\$ 239,807	\$ 1,250	\$ 391,608	\$ 40,354,029	\$ 60,125	\$ 321,349	\$ 1,997	\$ 621,678

Analysis of 2012 Property Tax Levy

ANALYSIS OF 2012 PROPERTY TAX LEVY

TAX YIELD

General Purpose Tax
Added Taxes (54:4-63.1 et. seq.)

\$ 40,996,742
261,122

\$ 41,257,864

Regional High School Tax

Local District School Tax

County Taxes:

County Taxes

County Open Space

Due County for Added Taxes
(54:4-63.1 et. seq.)

\$ 4,904,316

57,015

31,770

4,993,101

Municipal Open Space Tax

Municipal Open Space Added Taxes

118,762

605

119,367

Local Tax for Municipal Purposes

Minimum Library Tax

Additional Tax Levied

10,010,233

757,697

240,246

11,008,176

\$ 41,257,864

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

Balance, December 31, 2011		\$ 19,500
Increased by:		
Transfers from Taxes Receivable - 2011	\$ 841	
Transfers from Taxes Receivable - 2012	<u>1,156</u>	
		<u>1,997</u>
Balance, December 31, 2012		<u>\$ 21,497</u>

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

Balance, December 31, 2011	<u>\$ 29,400</u>
Balance, December 31, 2012	<u>\$ 29,400</u>

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

	Balance, December 31, <u>2011</u>	Accrued in <u>2012</u>	<u>Collected</u>	Balance, December 31, <u>2012</u>
Borough Clerk				
Licenses - Alcoholic Beverages		\$ 17,840	\$ 17,840	
Licenses - Other		22,825	22,825	
Fees and Permits		6,425	6,425	
Board of Health				
Fees and Permits		678	678	
Construction Code Official				
Uniform Construction Code Fees		376,931	376,931	
Fees and Permits - Other		65,973	65,973	
Police				
Fees and Permits		5,673	5,673	
Tax Collector				
Fees and Permits		238	238	
Planning Board				
Fees and Permits		30,894	30,894	
Recreation				
Fees and Permits		73,263	73,263	
Municipal Court				
Fines and Costs	\$ 2,087	158,137	150,891	
Municipal Court Shared Service	40,473	154,932	156,071	\$ 39,334
Interest and Costs on Taxes	7,853	67,362	70,727	4,488
Interest Earned on Investments and Deposits		32	32	
Energy Receipts Tax		1,262,378	1,262,378	
Cable TV Franchise Fees		108,509	108,509	
Sewer Agreement - Marriott		51,966	51,966	
Local School District-Fieldstone Fields		25,000	25,000	
Hotel/Motel Tax		186,672	186,672	
Uniform Fire Safety Act:				
Local Enforcement Fees		85,394	85,394	
LEA Rebate	-	14,290	14,290	-
	<u>\$ 50,413</u>	<u>\$ 2,715,412</u>	<u>\$ 2,712,670</u>	<u>\$ 43,822</u>
			\$ 2,660,704	
			<u>51,966</u>	
			<u>\$ 2,712,670</u>	

Cash Received
Prepaid Revenues Applied

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

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

BOROUGH OF MONTVALE
STATEMENT OF APPROPRIATION RESERVES

	Balance, December 31, 2011	Encumbrances Cancelled	Balance After Modification	Paid or Charged	Transfers	Balance Lapsed
SALARIES AND WAGES						
Administrative and Executive	\$ 19,545		\$ 19,545			\$ 19,545
Mayor and Council	6		6			6
Borough Clerk	588		588			588
Elections	1,091		1,091			1,091
Financial Administration	989		989			989
Assessment of Taxes	5		5			5
Collection of Taxes	15,263		15,263			15,263
Environmental Commission	983		983			983
Historic Preservation Committee	115		115			115
Planning Board	1,835		1,835			1,835
Zoning Official	10		10			10
Code Enforcement and Administration Property Maint	5		5			5
Police	40,894		40,894	\$ 13,207		27,687
Uniform Fire Safety Act	640		640			640
Road Repair and Maintenance	13,712		13,712			13,712
Recycling	61		61			61
Public Buildings and Grounds	1,789		1,789			1,789
Public Health Services	2,879		2,879			2,879
Public Assistance	2		2			2
Recreation Services and Programs	4,503		4,503			4,503
Senior Citizen Van	1,867		1,867			1,867
Salary Adjustment Account	2,500		2,500			2,500
Municipal Court	1,188		1,188			1,188
Construction Code Official	1,959		1,959			1,959
Building Subcode Official	5		5			5
Plumbing Subcode Official	6		6			6
Fire Subcode Official	5		5			5
Electrical Subcode Official	6		6			6
Elevator Subcode Official	6		6			6
Municipal Court	6,945	-	6,945	-	-	6,945
	<u>119,402</u>	<u>-</u>	<u>119,402</u>	<u>13,207</u>	<u>-</u>	<u>106,195</u>
OTHER EXPENSES						
Administrative and Executive	3,339	\$ 1,839	5,178			5,178
Mayor and Council	277	500	777	411		366
Borough Clerk	4,806	25	4,831			4,831
Elections	2,831		2,831	1		2,830
Financial Administration	785	2,500	3,285			3,285
Audit Services	600	1,700	2,300			2,300
Assessment of Taxes	4,675		4,675	300		4,375
Collection of Taxes	3,229		3,229	289		2,940
Legal Services and Costs	37,181	13,312	50,493	2,500		47,993
Engineering Services & Costs	20,581		20,581	4,341		16,240
Cable TV Commission	5,043		5,043	1,012		4,031
Historic Preservation Commission	274		274			274
Historian	480		480			480
Environmental Commission	636		636	51		585
Planning Board	23,602		23,602	756		22,846
Construction Code Officials	514		514			514
Fire	407	2,909	3,316			3,316
Fire Hydrant Service	25,361		25,361			25,361
Police	6,713		6,713	645		6,068

**BOROUGH OF MONTVALE
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, 2011	Encumbrances Cancelled	Balance After Modification	Paid or Charged	Transfers	Balance Lapsed
OTHER EXPENSES (Continued)						
Police Radio Communications	\$ 5,674		\$ 5,674	\$ 3,216		\$ 2,458
First Aid Organization	257		257	185		72
Emergency Management	201		201	83		118
Uniform Fire Safety Act	5,302		5,302			5,302
Prosecutor	160		160			160
Road Repair and Maintenance	68,441		68,441	1,710		66,731
Sewer System	1,763	\$ 2,502	4,265			4,265
Garbage and Trash Removal	16,913		16,913			16,913
Recycling Tax	1,617	3,000	4,617			4,617
Recycling	60,971		60,971	3,016		57,955
Public Buildings and Grounds	9,613		9,613	3,058		6,555
Maintenance of All Vehicles	9,248		9,248	221		9,027
Municipal Services Act	5,262		5,262	336		4,926
Public Health Services	13,972		13,972	81		13,891
Animal Regulation	420		420			420
Parks and Playgrounds	2,724	73	2,797			2,797
Recreation Services and Programs	11,463		11,463	207		11,256
PEOSHA Compliance	2,000		2,000			2,000
Utilities:						
Gasoline	9,577		9,577	1,360		8,217
Electricity	56,189		56,189	18,731		37,458
Telephone	22,484		22,484	2,901		19,583
Natural Gas	55,487		55,487	16,049		39,438
Street Lighting	30,068		30,068			30,068
Social Security System	33,214		33,214	500		32,714
Defined Contribution Retirement Plan	557	500	1,057			1,057
Municipal Court	1,396	164	1,560			1,560
Public Defender	435		435			435
Fair Housing Compliance Act	4,985		4,985			4,985
Maintenance of Free Public Library	7,443		7,443	7,443		-
Sewerage Processing and Disposal	105		105			105
Insurance						
Life Insurance	1,427	163	1,590			1,590
General Liability	9,432		9,432			9,432
Workers Compensation	5,009		5,009			5,009
Employee Group Health	95,929	1,356	97,285			97,285
Employee Group Health Excluded from CAP	23,876		23,876			23,876
Length of Service Award Program	17,541		17,541	1,700		15,841
Police Dispatch	3,629		3,629			3,629
Municipal Court	5,570	193	5,763			5,763
Prosecutor	15		15			15
Public Defender	15		15			15
Municipal Alliance Program						
State Share	5,700		5,700		\$ 5,700	-
Local Share	1,425		1,425	5		1,420
CDBG Sr. Citizen Activities	2,309		2,309		2,309	-
Body Armor-State Share	2,156	-	2,156	-	2,156	-
	<u>753,308</u>	<u>30,736</u>	<u>784,044</u>	<u>71,108</u>	<u>10,165</u>	<u>702,771</u>
	<u>\$ 872,710</u>	<u>\$ 30,736</u>	<u>\$ 903,446</u>	<u>\$ 84,315</u>	<u>\$ 10,165</u>	<u>\$ 808,966</u>
Cash Disbursed				\$ 74,894		
Accounts Payable				9,421		
Transfer To Appropriated Grant Reserves				-	\$ 10,165	
				<u>\$ 84,315</u>	<u>\$ 10,165</u>	

**BOROUGH OF MONTVALE
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2011		\$ 561,003
Increased by:		
Charges to 2012 Budget Appropriations		<u>535,659</u>
		1,096,662
Decreased by:		
Cash Payments	\$ 520,894	
Transfer to Accounts Payable	9,373	
Cancellation Restored to Appropriation Reserves	<u>30,736</u>	
		<u>561,003</u>
Balance, December 31, 2012		<u>\$ 535,659</u>

EXHIBIT A-16

STATEMENT OF ACCOUNTS PAYABLE

Balance, December 31, 2011		\$ 22,871
Increased by:		
Transferred from Encumbrances Payable	\$ 9,373	
Transferred from Appropriation Reserves	<u>9,421</u>	
		<u>18,794</u>
		41,665
Decreased by:		
Payments	5,604	
Cancelled to Operations	<u>5,955</u>	
		<u>11,559</u>
Balance, December 31, 2012		<u>\$ 30,106</u>

EXHIBIT A-17

STATEMENT OF PREPAID TAXES

Balance, December 31, 2011		\$ 391,608
Increased by:		
2013 Prepaid Taxes Received		<u>406,115</u>
		797,723
Decreased by:		
Application to 2012 Taxes Receivable		<u>391,608</u>
Balance, December 31, 2012		<u>\$ 406,115</u>

**BOROUGH OF MONTVALE
STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2011	\$	59,155
Increased by:		
Overpayments Received		<u>256,153</u>
		315,308
Decreased by:		
Refunded		<u>276,355</u>
Balance, December 31, 2012	\$	<u>38,953</u>

EXHIBIT A-19

STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE

Increased by:		
2012 Levy	\$	14,217,868
Decreased by:		
Payments	\$	<u>14,217,868</u>

EXHIBIT A-20

STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE

Increased by:		
2012 Levy	\$	10,919,352
Decreased by:		
Payments	\$	<u>10,919,352</u>

EXHIBIT A-21

STATEMENT OF COUNTY TAXES PAYABLE

Increased by:		
2012 Levy:		
General County Tax	\$	4,904,316
County Open Space Tax		<u>57,015</u>
		\$ 4,961,331
Decreased by:		
Payments	\$	<u>4,961,331</u>

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

Balance, December 31, 2011	\$	33,649
Increased by:		
2012 Levy Added Taxes		31,770
		65,419
Decreased by:		
Payments		33,649
Balance, December 31, 2012	\$	31,770

EXHIBIT A-23

STATEMENT OF MUNICIPAL OPEN SPACE TAXES

Increased by:		
2012 Levy	\$	118,762
2012 Added Levy		605
	\$	119,367
Decreased by:		
Due to Open Space Preservation Trust Fund	\$	119,367

EXHIBIT A-24

STATEMENT OF FEES PAYABLE

	Balance, December 31, <u>2011</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2012</u>
Marriage Licenses	\$ 100	\$ 653	\$ 678	\$ 75
BOCA Fees	5,388	31,104	26,632	9,860
	\$ 5,488	\$ 31,757	\$ 27,310	\$ 9,935

**BOROUGH OF MONTVALE
STATEMENT OF PREPAID REVENUE**

	Balance, December 31, <u>2011</u>	<u>Receipts</u>	Applied to Current Year <u>Revenue</u>	Balance, December 31, <u>2012</u>
Sewer Fees - Marriott	\$ 51,966	\$ 64,933	\$ 51,966	\$ 64,933
	<u>\$ 51,966</u>	<u>\$ 64,933</u>	<u>\$ 51,966</u>	<u>\$ 64,933</u>

STATEMENT OF RESERVE FOR TAX APPEALS

Balance, December 31, 2011	\$ 244,203
Increased by:	
Transfer from 2012 Tax Collections	\$ 150,000
Charges to 2012 Budget Appropriations	<u>150,000</u>
	<u>300,000</u>
	544,203
Decreased by:	
Tax Appeal Refunds	<u>220,387</u>
Balance, December 31, 2012	<u>\$ 323,816</u>

**BOROUGH OF MONTVALE
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2011</u>	Balance, December 31, <u>2012</u>
Arbitrage Rebate	\$ 60,000	\$ 60,000
Sale of Municipal Assets	12,019	12,019
Security Deposit	<u>3,963</u>	<u>3,963</u>
	<u>\$ 75,982</u>	<u>\$ 75,982</u>

EXHIBIT A-28

STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED

	Balance, December 31, <u>2011</u>	Received	Realized as Budgeted Revenue	Balance, December 31, <u>2012</u>
Recycling Tonnage Grant	\$ 6,893	\$ 12,144	\$ 6,893	\$ 12,144
Drunk Driving Enforcement Fund	4,837		4,837	
Body Armor Fund	<u>2,204</u>	<u>2,339</u>	<u>2,204</u>	<u>2,339</u>
	<u>\$ 13,934</u>	<u>\$ 14,483</u>	<u>\$ 13,934</u>	<u>\$ 14,483</u>

EXHIBIT A-29

STATEMENT OF RESERVES FOR GRANTS - APPROPRIATED

	Balance, December 31, <u>2011</u>	Transfer from Appropriation Reserves	Cash Disbursements	Cancelled	Balance, December 31, <u>2012</u>
Drunk Driving Enforcement Fund	\$ 4,510		\$ 194		\$ 4,316
FEMA-Gabion Walls-State	842		842		
FEMA-Gabion Walls-Federal	13,373		13,373		
Municipal Alliance - 2011		\$ 5,700	20	\$ 5,680	
Recycling Tonnage	1,174				1,174
CDBG - Senior Citizens		2,309	2,309		
Body Armor	<u>1,013</u>	<u>2,156</u>	<u>3,169</u>	<u>-</u>	<u>-</u>
	<u>\$ 20,912</u>	<u>\$ 10,165</u>	<u>\$ 19,907</u>	<u>\$ 5,680</u>	<u>\$ 5,490</u>
			Grants Receivable	<u>\$ 5,680</u>	

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TRUST FUNDS



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

	<u>Animal Control Fund</u>	<u>Other Trust Fund</u>	<u>Unemployment Insurance Fund</u>	<u>Open Space Preservation Trust Fund</u>
Balance, December 31, 2011	\$ 9,803	\$ 1,838,575	\$ 87,280	\$ 532,817
Increased by Receipts:				
State Dog License Fees	\$ 716			
Borough Dog License Fees	7,156			
Borough Cat License Fees	1,657			
Late Fees	80			
Interest Earned on Investments		\$ 905		
Escrow Deposits		984,863		
Miscellaneous Reserves and Deposits		360,903		
Payroll Deductions Payable		2,553,507		
Net Payroll Deposits		3,265,493		
Receipts from Current Fund		1,000	\$ 115,000	\$ 119,367
Budget Appropriation			<u>6,249</u>	
Employee Contributions-Unemployment		<u>7,166,671</u>	<u>121,249</u>	<u>119,367</u>
	19,412	9,005,246	208,529	652,184
Decreased by Disbursements:				
Animal Control Expenditures Under				
R.S. 4:19-15.11	1,108			
State Dog License Fees	716			
Payments to State for Unemployment Claims			33,886	
Payments to Current Fund				
Escrow Deposits		343		
Miscellaneous Reserves and Deposits		523,199		
Reserve for Open Space Preservation		245,685		112,817
Payroll Deductions Payable		2,551,146		
Net Payroll		<u>3,265,493</u>	<u>33,886</u>	<u>112,817</u>
	<u>1,824</u>	<u>6,585,866</u>	<u>33,886</u>	<u>112,817</u>
Balance, December 31, 2012	<u>\$ 17,588</u>	<u>\$ 2,419,380</u>	<u>\$ 174,643</u>	<u>\$ 539,367</u>

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

Balance, December 31, 2011		\$ 18
Increased by:		
State Fees Collected		<u>716</u>
		734
Decreased by:		
Payments		<u>716</u>
Balance, December 31, 2012		<u>\$ 18</u>

EXHIBIT B-5

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

Balance, December 31, 2011		\$ 9,785
Increased by:		
Dog License Fees Collected	\$ 7,156	
Cat License Fees Collected	1,657	
Late Fees	<u>80</u>	
		<u>8,893</u>
		18,678
Decreased by:		
Expenditures Under R.S.4:19-15.11		
Cash Disbursements	1,108	
Statutory Excess Due Current Fund	<u>2,278</u>	
		<u>3,386</u>
Balance, December 31, 2012		<u>\$ 15,292</u>

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

Increased by:		
Statutory Excess in Reserve for Animal Control Expenditures	\$	<u>2,278</u>
Balance, December 31, 2012	\$	<u>2,278</u>

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

Balance, December 31, 2011	\$	80,110
Increased by:		
Employee Contributions	\$	6,249
Budget Appropriation	<u>115,000</u>	<u>121,249</u>
		201,359
Decreased by:		
Unemployment Claims Due to State		<u>26,866</u>
Balance, December 31, 2012	\$	<u>174,493</u>

**STATEMENT OF DUE TO STATE
UNEMPLOYMENT INSURANCE FUND**

Balance, December 31, 2011	\$	7,170
Increased by:		
Unemployment Claims Charged to Reserve		<u>26,866</u>
		34,036
Decreased by:		
Cash Disbursements		<u>33,886</u>
Balance, December 31, 2012	\$	<u>150</u>

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

Balance, December 31, 2011		\$	16
Increased by:			
Receipts from Current Fund		\$	1,000
Interest on Investments			<u>355</u>
			<u>1,355</u>
			1,371
Decreased by:			
Payments to Current Fund			<u>343</u>
Balance, December 31, 2012		\$	<u>1,028</u>

Analysis of Balance

Due to Current Fund - Developers' Accutrak Trust Account-Interest		\$	28
Due to Current Fund - Special Police Outside Duty			<u>1,000</u>
		\$	<u>1,028</u>

**STATEMENT OF ESCROW DEPOSITS
OTHER TRUST FUND**

Balance, December 31, 2011		\$	468,179
Increased by:			
Developers' Deposits		\$	984,863
Developers' Interest Earned			<u>550</u>
			<u>985,413</u>
			1,453,592
Decreased by:			
Cash Disbursements			<u>523,199</u>
Balance, December 31, 2012		\$	<u>930,393</u>

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

	Balance, December 31, <u>2011</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2012</u>
Engineering Fee Deposits	\$ 14,655	\$ 8,534	\$ 11,857	\$ 11,332
Planning Board Deposits	28,519		594	27,925
Affordable Housing Trust Fees	1,178,670	74,690	35,591	1,217,769
POAA Fees	1,270	598	890	978
Special Police Outside Duty	47,291	67,528	81,155	33,664
Tax Title Lien Premiums	14,200	77,000		91,200
Celebration of Public Events Donations	917	4,685	3,064	2,538
Senior Center Donations	343		239	104
Public Defender Fees	15	550	300	265
Performance Bonds	19,692	3,790	3,010	20,472
Tax Title Liens		119,024	106,119	12,905
DARE Program	2,946	1,797	1,366	3,377
Uniform Fire Safety Act Penalty Monies	4,350	1,405		5,755
Fire Training/Equipment UFSA Penalty Monies	350	1,288		1,638
Historic Preservation Donations	1,596		1,500	96
North/South Park-Improvement Donations	12,884	14	-	12,898
	<u>\$ 1,327,698</u>	<u>\$ 360,903</u>	<u>\$ 245,685</u>	<u>\$ 1,442,916</u>

EXHIBIT B-12

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

Balance, December 31, 2011	\$ 42,682
Increased by:	
Deposits:	
Payroll Deductions	<u>2,553,507</u>
	2,596,189
Decreased by:	
Disbursements:	
Payroll Deductions	<u>2,551,146</u>
Balance, December 31, 2012	<u>\$ 45,043</u>

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

Increased by:		
Net Payroll Deposits		\$ 3,265,493
Decreased by:		
Disbursements - Net Payroll		<u>\$ 3,265,493</u>

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

Increased by:		
2012 Levy	\$ 118,762	
2012 Added Levy	<u>605</u>	
		\$ 119,367
Decreased by:		
Receipts from Current Fund		<u>\$ 119,367</u>

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

Balance, December 31, 2011		\$ 532,817
Increased by:		
Due from Current Fund		
2012 Levy	\$ 118,762	
2012 Added Levy	<u>605</u>	
		<u>119,367</u>
		652,184
Decreased by:		
Cash Disbursements for Expenditures		<u>112,817</u>
Balance, December 31, 2012		<u>\$ 539,367</u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2011		\$ 2,375,719
Increased by:		
Excess Proceeds of Bond Issuance Costs	\$ 11,662	
Reserve for Improvement of Field	5,472	
Interest on Investments	<u>1</u>	
		<u>17,135</u>
		2,392,854
Decreased by Disbursements:		
Improvement Authorizations	418,832	
Disbursements for Current Fund	4,693	
Disbursements to Current Fund	15,469	
Encumbrances Payable	<u>775,735</u>	
		<u>1,214,729</u>
Balance, December 31, 2012		<u>\$ 1,178,125</u>

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

		Balance, December 31, <u>2012</u>
Fund Balance		\$ 163,798
Encumbrances Payable		196,392
Capital Improvement Fund		94,741
Reserve for Payment of Debt		5,059
Reserve for Improvement of Field		22,900
Ord.		
<u>No.</u>	<u>Improvement Description</u>	
1153/1177/1199	Purchase and Renovation of Building	10,000
1178	Various Improvements-Recreation Field	1,527
1201	Various Capital Improvements - 2003	7,820
1287	Various Capital Improvements-2008	6,535
1305	Various Capital Improvements-2009	10,682
1347	Sanitary Sewer System & Gabion Walls	160,285
1348	Various Capital Improvements-2011	498,386
		<u>\$ 1,178,125</u>

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

Increased by:		
Interest Earned on Deposits	\$	1
Fund Balance Anticipated as Budget Revenue		<u>46,689</u>
		\$ 46,690
Decreased by:		
Budget Appropriation - Deferred Charges Unfunded		1,528
Budget Appropriation - Capital Improvement Fund		25,000
Disbursement Made for Current Fund Expenditures		4,693
Cash Payments to Current Fund		<u>15,469</u>
		<u>\$ 46,690</u>

EXHIBIT C-5

STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, December 31, 2011		\$ 12,663,000
Increased by:		
Refunding Bonds Issued		<u>3,745,000</u>
		16,408,000
Decreased by:		
2012 Budget Appropriations to Pay Bonds	\$	1,470,000
Payment by Refunding Bonds		<u>3,763,000</u>
		<u>5,233,000</u>
Balance, December 31, 2012		<u>\$ 11,175,000</u>

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

Ord. No.	<u>Improvement Description</u>	Balance December 31, 2011	2012 Authorizations	Transfer to Deferred Charges Funded	Funded by Budget Appropriation	Authorizations Cancelled	Balance, December 31, 2012
1201	Various Capital Improvements	\$ 550			\$ 550		
1242	Fire Dept. Facility Modifications & Equip. Acq.	978			978		
1356	Refunding Outstanding Bonds	-	\$ 4,075,000	\$ 3,745,000	-	\$ 330,000	-
		\$ 1,528	\$ 4,075,000	\$ 3,745,000	\$ 1,528	\$ 330,000	\$ -

**BOROUGH OF MONTVALE
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2011		\$ 790,137
Increased by:		
Charges to Improvement Authorizations		<u>196,392</u>
		986,529
Decreased by:		
Cancellations Restored to Improvement Authorizations	\$ 14,402	
Payments	<u>775,735</u>	
		<u>790,137</u>
Balance, December 31, 2012		<u>\$ 196,392</u>

STATEMENT OF CAPITAL IMPROVEMENT FUND

Balance, December 31, 2011		\$ 69,741
Increased by:		
Budget Appropriation Due from Current Fund		<u>25,000</u>
Balance, December 31, 2012		<u>\$ 94,741</u>

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

Balance, December 31, 2011	\$ 2,680
Increased by:	
Cancellation of Funded Improvement Authorizations	<u>2,379</u>
Balance, December 31, 2012	<u>\$ 5,059</u>

STATEMENT OF RESERVE FOR IMPROVEMENT OF FIELD

Balance, December 31, 2011	\$ 17,428
Increased by:	
Cash Receipts	<u>5,472</u>
Balance, December 31, 2012	<u>\$ 22,900</u>

**BOROUGH OF MONTVALE
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

2012

Ord. No.	Improvement Description	Balance December 31, 2011		Ord. Amount	2012 Authorizations		Future Taxation- Encumbrances Cancelled	Expended	Authorizations Cancellation	Balance December 31, 2012	
		Funded	Unfunded		Deferred Charges to Unfunded	Funded				Unfunded	
General Improvements											
1153/1177/											
1199	Purchase and Renovation of Municipal Building	\$ 8,714,897	\$ 16,213	\$	\$ 6,213	\$			\$	10,000	
1178	Various Improvements - Recreation Fields	1,400,000	1,527							1,527	
1201	Various Capital Improvements - 2003	2,000,000	6,217	\$ 550	3,842	\$ 4,895				7,820	
1258	Improvements to Senior Center	73,420	1,181		1,181					-	
1287	Various Capital Improvements- 2008	116,024	9,411		1,179	\$ 1,697				6,535	
1305	Various Capital Improvements-2009	153,000	3,759		2,584	9,507				10,682	
1323	Various Capital Improvements-2010	70,000	23,593		22,980	613				-	
1347	Sanitary Sewer System & Gabion Walls	190,435	160,285		577,245					160,285	
1348	Various Capital Improvements - 2011	2,100,000	1,075,700		3,745,000					498,386	
1356	Refunding Outstanding Bonds	4,075,000	-	\$ 4,075,000					330,000		
		<u>\$ 1,297,886</u>	<u>\$ 550</u>	<u>\$ 4,075,000</u>	<u>\$ 4,360,224</u>	<u>\$ 14,402</u>			<u>\$ 332,379</u>	<u>\$ 695,235</u>	<u>\$ -</u>
	Cash Disbursements				\$ 418,832						
	Encumbrances Payable				196,392						
	Refunding Bonds Issued				3,745,000				\$ 330,000		
	Deferred Charges - Unfunded								2,379		
	Reserve for Payment of Debt										
					<u>\$ 4,360,224</u>	<u>\$ 332,379</u>			<u>\$ 332,379</u>	<u>\$ 695,235</u>	<u>\$ -</u>

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

Ord. No.	<u>Improvement Description</u>	Balance, December 31, 2011	2012 <u>Authorizations</u>	Bonds <u>Issued</u>	Funded by Budget <u>Appropriation</u>	<u>Cancelled</u>	Balance, December 31, 2012
1201	Various Capital Improvements	\$ 550			\$ 550		
1242	Acquisition of Equipment	978			978		
1356	Refunding Outstanding Bonds	-	\$ 4,075,000	\$ 3,745,000	-	\$ 330,000	-
		<u>\$ 1,528</u>	<u>\$ 4,075,000</u>	<u>\$ 3,745,000</u>	<u>\$ 1,528</u>	<u>\$ 330,000</u>	<u>\$ -</u>

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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, 2011	\$ 35	\$ 1,342	\$ 1,377
Increased by:			
Receipts	<u>-</u>	<u>52,600</u>	<u>52,600</u>
	35	53,942	53,977
Decreased by:			
Disbursements	<u>-</u>	<u>43,713</u>	<u>43,713</u>
Balance, December 31, 2012	<u>\$ 35</u>	<u>\$ 10,229</u>	<u>\$ 10,264</u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Balance, December 31, 2011	\$ 35	\$ 1,342	\$ 1,377
Increased by:			
Revenues	<u>-</u>	<u>52,600</u>	<u>52,600</u>
	35	53,942	53,977
Decreased by:			
Expenditures	<u>-</u>	<u>43,713</u>	<u>43,713</u>
Balance, December 31, 2012	<u>\$ 35</u>	<u>\$ 10,229</u>	<u>\$ 10,264</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>\$ 52,600</u>	<u>\$ 52,600</u>
Total Revenues/Receipts	<u>\$ -</u>	<u>\$ 52,600</u>	<u>\$ 52,600</u>

STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Current Year Assistance (Reported):			
Maintenance Payments		\$ 10,658	\$ 10,658
Temporary Rental Assistance		32,005	32,005
Emergency Assistance - Security Deposits	<u>-</u>	<u>1,050</u>	<u>1,050</u>
Total Expenditures/Disbursements	<u>\$ -</u>	<u>\$ 43,713</u>	<u>\$ 43,713</u>

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

PART II

**GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31, 2012**



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

17-17 ROUTE 208
FAIR LAWN, NJ 07410
TELEPHONE (201) 791-7100
FACSIMILE (201)791-3035
WWW.LVHCPA.COM

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

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of Montvale, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 28, 2013. Our report on the financial statements – regulatory basis indicated that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented 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 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 qualified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

Management of the Borough of Montvale is responsible for establishing and maintaining effective 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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2012-1 to be a material weakness.

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 an instance of noncompliance or other matter that is 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 and which is described in the accompanying schedule of findings and responses as item 2012-1.

We also noted certain matters that we reported to management of the Borough of Montvale in Part III of this report of audit entitled; "Letter of Comments and Recommendations"

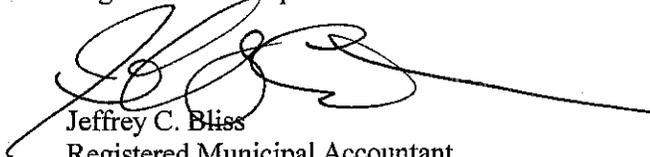
Borough of Montvale's Responses to Findings

The Borough of Montvale's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Borough of Montvale's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
June 28, 2013

**BOROUGH OF MONTVALE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	State Account Number	CFDA Number	Grant Period	Grant Award Amount	2012 Grant Receipts	Balance, January 1, 2012	Revenue Realized	Expenditures	Balance, December 31, 2012	(Memo) Cumulative Expenditures
Federal Funding Department U.S. Department of Housing and Urban Development (Passed Through the County Dept. of Community Development)		14.218	2011 2012	\$ 9,419 3,638	\$ 4,469	\$ 2,309	\$ 3,638	\$ 2,309 275	\$ 3,363	\$ 9,419 275
Community Development Block Grants Public Services - Senior Citizens Public Services - Senior Citizens										
U. S. Department of Homeland Security Disaster Grants - Public Assistance (Passed Through the State Department of Law and Public Safety)		97.036	2007 2012 2012	22,316 91,606 86,603		14,215		14,215 91,606 86,603		22,316 91,606 86,603
FEMA - Flood relief FEMA - Hurricane Irene FEMA - Severe Snowstorm	1200-703-011 1200-100-A70 1200-100-A77									
U.S. Department of Transportation Highway Planning and Construction (Passed Through State Department of Transportation)		20.205	2010 2012	200,000 146,500	50,000		146,500	146,500		200,000
Municipal Aid Woodland Road Section 2 Akers Ave.	6320-480-AKN 6320-480-XXX									
Alcohol Impaired Driving Countermeasures Grant (Passed Through State Dept. of Law and Public Safety)		20.601	2012	4,400	4,400		4,400	4,400		4,400
Drunk Driving Prevention	1160-100-057									
Occupancy Protection Incentive Grants (Passed Through State Dept. of Law and Public Safety)		20.602	2012	4,000	4,000		4,000	4,000		4,000
Occupancy Protection Grant	1160-100-113									
						\$ 16,524	\$ 336,747	\$ 203,408	\$ 149,863	

Note - This schedule was not subject to an audit in accordance with OMB-133.

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, 2012**

State Grant Program	Account Number	Grant Year	Grant Award	2012 Grant Receipts	Balance, January 1, 2012	Revenue Realized	Expended	Refunds/ (Cancellations)	Balance, December 31, 2012	(Memo) Cumulative Expenditures
Clean Communities Grant	4900-765-042-4900-004-UCMB-6020	2012	\$ 13,607	\$ 13,607	\$ 13,607	\$ 13,607	\$ 13,607		\$	\$ 13,607
Recycling Tonnage Grant	4900-752-178810-60	2012	12,144	12,144						6,893
		2011	6,893			6,893				
		2009	10,474		\$ 1,174				\$ 1,174	9,300
Municipal Drug and Alcohol Alliance Program (Passed Through County of Bergen)	N/A	2012	10,356			10,356	4,491		5,865	4,491
		2011	10,356	3,438	5,700		20	(5,680)		4,676
Body Armor Grant	1020-718-0661020-001	2012	2,339	2,339						736
		2011	2,204			2,204			1,468	
		2010	2,156		2,156					2,156
		2009	3,169		1,013		1,013			3,169
Drunk Driving Enforcement Fund	1110-448-031020-22	2011	4,837	4,837		4,837	2,419		2,418	2,419
		2009	4,082		2,040				2,040	2,042
		2007	3,363		1,681				1,681	1,682
		2004	3,217		762		167		595	2,622
		2003	3,368		27		27			3,368
Dept. of Human Services General Assistance	7500-150-158010-60	2012	52,600	52,600	1,342	52,600	43,713		10,229	43,713
					\$ 15,895	\$ 90,497	\$ 75,242	\$ (5,680)	\$ 25,470	

Note - This schedule was not subject to an audit in accordance with New Jersey OMB 04-04.

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, 2012**

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 schedule 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	\$ 336,747	\$ 37,897	\$ 374,644
Public Assistance Fund	-	<u>52,600</u>	<u>52,600</u>
	<u>\$ 336,747</u>	<u>\$ 90,497</u>	<u>\$ 427,244</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

**BOROUGH OF MONTVALE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Part I – Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

1) Material weakness(es) identified X yes 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? X yes 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, 2012**

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*.

Finding 2012-1

Our audit of the State Tax Court and County Tax Board judgements received during 2012 revealed certain judgements were improperly applied and recorded to individual taxpayer's accounts.

Criteria

Principles of Municipal Tax Collections - Tax Appeals

Condition

Reductions or credits to certain individual taxpayers as a result of State Tax Court or County Tax Board judgements were overstated in the year the judgement was applied to the respective individual taxpayers' account.

Cause

Manual reductions or credits were applied to certain taxpayer's accounts in error that resulted in an understatement of the property tax levy for the year affected.

Effect

Certain taxpayers received reductions or credits to their property tax levies that they were not entitled to resulting in an underpayment of the amounts due and payable.

Recommendation

Internal control procedures be reviewed and revised to ensure reductions and credits resulting from State Tax Court and County Tax Board judgements are properly applied and recorded in the respective individual taxpayer's accounts.

Response

Management has reviewed this finding and has indicated corrective action will be taken to ensure tax appeal judgements are properly recorded to taxpayer's accounts.

**BOROUGH OF MONTVALE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

STATUS OF PRIOR YEAR FINDINGS

There were none.

BOROUGH OF MONTVALE
BERGEN COUNTY, NEW JERSEY

PART III

SUPPLEMENTARY DATA
LETTER OF COMMENTS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2012

**BOROUGH OF MONTVALE
SUPPLEMENTARY DATA**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,800,000	3.83 %	\$ 1,800,000	3.95 %
Miscellaneous - From Other Than Local				
Property Tax Levies	3,733,446	7.94	3,313,588	7.27
Collection of Delinquent Taxes				
Tax and Tax Title Liens	247,685	0.53	289,677	0.64
Collection of Current Tax Levy	40,407,327	85.96	39,638,195	86.99
Other Credits to Income	<u>818,911</u>	<u>1.74</u>	<u>522,774</u>	<u>1.15</u>
 Total Income	 <u>47,007,369</u>	 <u>100.00 %</u>	 <u>45,564,234</u>	 <u>100.00 %</u>
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	14,287,918	32.08 %	13,641,268	31.69 %
County Taxes	4,993,101	11.21	4,801,697	11.15
Local & Regional School Taxes	25,137,220	56.44	24,483,748	56.88
Municipal Open Space Taxes	119,367	0.27	119,485	0.28
Other Expenditures	<u>3,806</u>	<u>0.01</u>	<u>1,131</u>	<u>0.00</u>
 Total Expenditures	 <u>44,541,412</u>	 <u>100.00 %</u>	 <u>43,047,329</u>	 <u>100.00 %</u>
 Excess in Revenue	 2,465,957		 2,516,905	
Deferred Charges to Budget of Succeeding Year	<u>110,000</u>		<u>-</u>	
Statutory Excess to Fund Balance	2,575,957		2,516,905	
Fund Balance, January 1	<u>3,672,643</u>		<u>2,955,738</u>	
	6,248,600		5,472,643	
Less: Utilization as Anticipated Revenue	<u>1,800,000</u>		<u>1,800,000</u>	
Fund Balance, December 31	<u>\$ 4,448,600</u>		<u>\$ 3,672,643</u>	

**BOROUGH OF MONTVALE
SUPPLEMENTARY DATA**

Comparative Schedule of Tax Rate Information

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	\$ <u>1.726</u>	\$ <u>1.681</u>	\$ <u>1.629</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	0.422	0.412	0.428
Library	0.031	0.032 (A)	
Municipal Open Space	0.004	0.004	0.005
County	0.207	0.199	0.181
County Open Space	0.003	0.003	0.003
Local School	0.599	0.587	0.572
Regional High School	0.460	0.444	0.440
 <u>Assessed Valuation</u>			
2012	\$ <u>2,375,245,724</u>		
2011		\$ <u>2,376,384,781</u>	
2010			\$ <u>2,358,413,899</u>

(A) The Library tax rate was included in the municipal portion of the tax rate prior to 2011.

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>
2012	\$ 41,257,864	\$ 40,557,327	98.30%
2011	40,227,047	39,638,195	98.53%
2010	38,677,808	38,111,936	98.53%

**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>
2012	\$ 621,678	\$ 21,497	\$ 643,175	1.56%
2011	251,865	19,500	271,365	.67%
2010	299,562	24,605	324,167	.84%

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>
2012	\$29,400
2011	29,400
2010	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	2012	\$4,448,600	\$2,100,000
	2011	3,672,643	1,800,000
	2010	2,955,738	1,800,000
	2009	2,190,087	1,800,000
	2008	3,058,780	2,325,000

**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>
Roger Fyfe	Mayor
Leah LaMonica	Councilwoman
Rose Curry	Councilman
Timothy Lane	Councilman
Theresa Cudequest	Councilwoman
Salvatore Talarico	Councilman
Michael Ghassali	Councilman
Maureen Iarossi-Alwan	Borough Clerk/Administrator
Kenneth Sesholtz	Chief Financial Officer
Phillip Boggia	Attorney
Carl Bello	Treasurer
Fran Scordo	Tax Collector
Michael Leposki	Assessor
Jeffrey Fette	Building Code Official
Robert Culvert	Superintendent of Public Works
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
Corrine Dapuzzo	Deputy Court 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

Prior Year Findings Unresolved

Our audit of the Affordable Housing collections revealed instances where the developer fees collected were calculated incorrectly from the fee ordinance. It is recommended that greater care be exercised in the calculation of the Affordable Housing developer fees to ensure they are in accordance with the approved fee ordinance and developer's agreements.

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 \$26,000 for 2012. The Borough has adopted a resolution increasing the threshold to \$36,000 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:

- 2012 Road Improvements
- Emergency Tree Removal
- Cleaning Service and Supplies
- Telecommunication System and Installation

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.

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, 2012 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 2012, 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

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

GENERAL COMMENTS

Collection of Interest on Delinquent Taxes and Assessments (Continued)

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 25, 2012.

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>
2012	2
2011	2
2010	2

Suggestions to Management

A written policy be approved on the use of the Borough's store card.

APPRECIATION

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

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

RECOMMENDATIONS

It is recommended that:

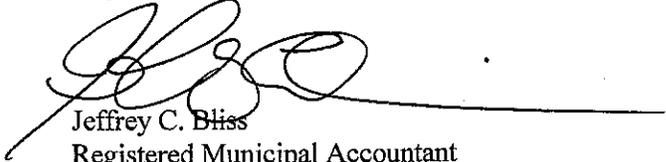
1. Internal control procedures be reviewed and revised to ensure reductions and credits resulting from State Tax Court and County Tax Board judgements are properly applied and recorded to the respective individual taxpayer's accounts.
- * 2. Greater care be exercised in the calculation of the Affordable Housing developer fees to ensure they are in accordance with the approved fee ordinance and developer agreements.

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

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

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

Lerch, Vinci & Higgins, LLP
LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Registered Municipal Accountants


Jeffrey C. Bliss
Registered Municipal Accountant
RMA Number CR00429

