

**BOROUGH OF MONTVALE**  
**BERGEN COUNTY, NEW JERSEY**  
**REPORT OF AUDIT**  
**YEAR ENDED DECEMBER 31, 2013**

**BOROUGH OF MONTVALE**

**TABLE OF CONTENTS**

<u>Exhibits</u>		<u>Page</u>
	<b><u>PART I</u></b>	
	Independent Auditor's Report	1-3
A	Comparative Balance Sheets - Regulatory Basis - Current Fund	4
A-1	Comparative Statements of Operations and Changes in Fund Balance - Regulatory Basis - Current Fund	5
A-2	Statement of Revenues – Regulatory Basis – Current Fund	6-8
A-3	Statement of Expenditures – Regulatory Basis – Current Fund	9-16
B	Comparative Balance Sheets - Regulatory Basis - Trust Funds	17-18
B-1	Statement of Revenues – Regulatory Basis – Open Space Preservation Trust Fund	19
B-2	Statement of Expenditures – Regulatory Basis – Open Space Preservation Trust Fund	19
C	Comparative Balance Sheets- Regulatory Basis - General Capital Fund	20
C-1	Comparative Statements of Changes in Fund Balance – Regulatory Basis - General Capital Fund	21
D	Comparative Balance Sheets - Regulatory Basis - Public Assistance Fund	22
E	Comparative Balance Sheets - Regulatory Basis - General Fixed Assets Account Group	23
	Notes to Financial Statements	24-46
	<b><u>Supplementary Schedules</u></b>	
	<b><u>Current Fund</u></b>	
A-4	Statement of Cash – Collector – Treasurer	47
A-5	Statement of Change Funds	48
A-6	Statement of Petty Cash Fund	48
A-7	Statement of Grants Receivable	49
A-8	Statement of Due to State of New Jersey - Senior Citizens' and Veterans' Deductions	50
A-9	Statement of Taxes Receivable and Analysis of Property Tax Levy	51
A-10	Statement of Tax Title Liens Receivable	52
A-11	Statement of Property Acquired for Taxes (At Assessed Valuation)	52
A-12	Statement of Revenue Accounts Receivable	53
A-13	Statement of Deferred Charges N.J.S. 40A:4-55 Special Emergency	54
A-14	Statement of Appropriation Reserves	55-56
A-15	Statement of Encumbrances Payable	57
A-16	Statement of Accounts Payable	57
A-17	Statement of Prepaid Taxes	57
A-18	Statement of Tax Overpayments	58
A-19	Statement of Local District School Taxes Payable	58
A-20	Statement of Regional High School Taxes Payable	58
A-21	Statement of County Taxes Payable	58
A-22	Statement of Due County for Added and Omitted Taxes	59
A-23	Statement of Municipal Open Space Taxes	59
A-24	Statement of Fees Payable	59

## BOROUGH OF MONTVALE

### TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
	<b><u>Current Fund (Continued)</u></b>	
A-25	Statement of Prepaid Revenue	60
A-26	Statement of Reserve for Tax Appeals	60
A-27	Statement of Miscellaneous Reserves	61
A-28	Statement of Reserve for Grants – Unappropriated	61
A-29	Statement of Reserve for Grants – Appropriated	61
	<b><u>Trust Funds</u></b>	
B-3	Statement of Trust Cash - Treasurer	62
B-4	Statement of Due to State of New Jersey – Fees Payable - Animal Control Fund	63
B-5	Statement of Reserve for Animal Control Expenditures – Animal Control Fund	63
B-6	Statement of Due to Current Fund – Animal Control Fund	64
B-7	Statement of Prepaid License Fees – Animal Control Fund	64
B-8	Statement of Reserve for Unemployment Compensation Insurance – Unemployment Insurance Fund	65
B-9	Statement of Due to State of New Jersey – Claims Payable – Unemployment Insurance Fund	65
B-10	Statement of Due To Current Fund – Other Trust Fund	66
B-11	Statement of Escrow Deposits – Other Trust Fund	66
B-12	Statement of Miscellaneous Reserves and Deposits – Other Trust Fund	67
B-13	Statement of Payroll Deductions Payable – Other Trust Fund	67
B-14	Statement of Net Payroll Payable – Other Trust Fund	68
B-15	Statement of Due from Current Fund – Open Space Preservation Trust Fund	68
B-16	Statement of Reserve for Open Space Preservation – Open Space Preservation Trust Fund	68
	<b><u>General Capital Fund</u></b>	
C-2	Statement of General Capital Cash - Treasurer	69
C-3	Analysis of General Capital Cash	70
C-4	Statement of Due from Current Fund	71
C-5	Statement of Deferred Charges to Future Taxation - Funded	71
C-6	Statement of Encumbrances Payable	72
C-7	Statement of Capital Improvement Fund	72
C-8	Statement of Reserve for Payment of Debt	73
C-9	Statement of Reserve for Improvement of Field	73
C-10	Statement of Improvement Authorizations	74
C-11	Statement of General Serial Bonds	75
	<b><u>Public Assistance Fund</u></b>	
D-1	Statement of Public Assistance Cash - Treasurer	76
D-2	Statement of Reserve for Public Assistance Expenditures	76
D-3	Statement of Public Assistance Revenues	77
D-4	Statement of Public Assistance Expenditures	77

# BOROUGH OF MONTVALE

## TABLE OF CONTENTS

<u>Exhibits</u>		<u>Page</u>
	<b><u>Part II</u></b>	
	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	78-79
Schedule A	Schedule of Expenditures of Federal Awards	80
Schedule B	Schedule of Expenditures of State Financial Assistance	81
	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	82
	Schedule of Findings and Responses	83-85
	<b><u>Part III</u></b>	
	Comparative Statement of Operations and Changes in Fund Balance - Current Fund	86
	Comparative Schedule of Tax Rate Information	87
	Comparison of Tax Levies and Collection	87
	Delinquent Taxes and Tax Title Liens	88
	Property Acquired by Tax Title Lien Liquidation	88
	Comparative Schedule of Fund Balances	88
	Officials in Office and Surety Bonds	89
	General Comments	90-91
	Appreciation	91
	Recommendations	92

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

---

**PART I**

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
YEAR ENDED DECEMBER 31, 2013**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, or changes in financial position for the years then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2013 and 2012. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 16.4 percent and 9.5 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2013 and 2012.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Montvale as of December 31, 2013 and 2012, 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, 2013 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 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**

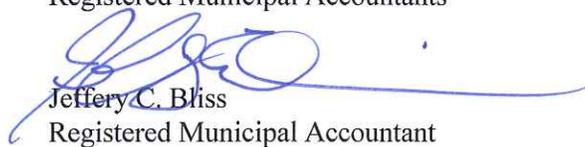
In accordance with Government Auditing Standards, we have also issued our report dated July 3, 2014 on our consideration of the Borough of Montvale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Montvale's internal control over financial reporting and compliance.

*LERCH, VINCI & HIGGINS, LLP*

LERCH, VINCI & HIGGINS, LLP

Certified Public Accountants

Registered Municipal Accountants

  
Jeffery C. Bliss

Registered Municipal Accountant

RMA Number CR00429

Fair Lawn, New Jersey  
July 3, 2014

**BOROUGH OF MONTVALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2013 AND 2012**

	Reference	2013	2012
<b>ASSETS</b>			
Cash	A-4	\$ 7,723,416	\$ 6,771,311
Cash - Change Fund	A-5	400	400
Grants Receivable	A-7	<u>226,005</u>	<u>322,645</u>
		<u>7,949,821</u>	<u>7,094,356</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Property Taxes Receivable	A-9	368,739	621,678
Tax Title Liens Receivable	A-10	14,151	21,497
Property Acquired for Taxes at Assessed Valuation	A-11	29,400	29,400
Revenue Accounts Receivable	A-12	54,947	43,822
Due from Animal Control	B-6	3,663	2,278
Due from Other Trust Fund	B-10	<u>5,022</u>	<u>1,028</u>
		<u>475,922</u>	<u>719,703</u>
Deferred Charges			
Special Emergency Authorizations	A-13	<u>88,000</u>	<u>110,000</u>
		<u>88,000</u>	<u>110,000</u>
Total Assets		<u>\$ 8,513,743</u>	<u>\$ 7,924,059</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
Appropriation Reserves	A-3,A-14	\$ 851,280	\$ 1,186,571
Encumbrances Payable	A-15	442,124	535,659
Accounts Payable	A-16	64,493	30,106
Due to Length of Service Award Program Fund	B	23,000	26,450
Fees Payable	A-24	4,141	9,935
Prepaid Taxes	A-17	217,800	406,115
Tax Overpayments	A-18	-	38,953
County Taxes Payable - Added and Omitted Taxes	A-22	4,513	31,770
Prepaid Revenues- Sewer Fees	A-25	4,241	64,933
Due to State of New Jersey Senior Citizens' and Veterans' Deductions	A-8	6,868	5,493
Reserve for Tax Appeals	A-26	309,958	323,816
Miscellaneous Reserves	A-27	375,983	75,982
Reserve for Grants:			
Unappropriated	A-28	13,639	14,483
Appropriated	A-29	<u>32,893</u>	<u>5,490</u>
		<u>2,350,933</u>	<u>2,755,756</u>
Reserve for Receivables	A	475,922	719,703
Fund Balance	A-1	<u>5,686,888</u>	<u>4,448,600</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 8,513,743</u>	<u>\$ 7,924,059</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, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>			
Fund Balance Utilized	A-2	\$ 2,100,000	\$ 1,800,000
Miscellaneous Revenue Anticipated	A-2	2,931,529	3,139,603
Receipts from Delinquent Tax	A-2	587,019	247,685
Receipts from Current Taxes	A-2	41,812,770	40,407,327
Non-Budget Revenue	A-2	782,510	593,843
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-14	797,608	808,966
Outstanding Checks Voided	A-4	122	1,696
Statutory Excess in Animal Control Fund	B-6	3,663	2,278
Cancelled Accounts Payable	A-16	3,311	5,955
Prior Year Interfunds Returned	A	3,306	16
		<u>49,021,838</u>	<u>47,007,369</u>
<b>EXPENDITURES</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	4,734,276	4,460,047
Other Expenses	A-3	6,862,293	7,038,105
Deferred Charges and Statutory Expenditures -			
Municipal	A-3	918,854	943,978
Capital Improvements	A-3	350,000	25,000
Municipal Debt Service	A-3	1,825,287	1,820,788
County Taxes Payable	A-21	4,960,330	4,961,331
Due County for Added Taxes	A-22	4,513	31,770
Local District School Taxes Payable	A-19	14,645,752	14,217,868
Regional High School Tax Payable	A-20	11,270,846	10,919,352
Municipal Open Space Taxes	A-23	100,714	119,367
Prior Year Senior Citizen Deduction Disallowed	A-8	2,000	500
Interfund Advances Originating	A	8,685	3,306
		<u>45,683,550</u>	<u>44,541,412</u>
Excess in Revenue		3,338,288	2,465,957
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by Statute			
Deferred Charges to Budget of Succeeding Year	A-13	-	110,000
Statutory Excess to Fund Balance		3,338,288	2,575,957
Fund Balance, January 1	A	4,448,600	3,672,643
		7,786,888	6,248,600
Decreased by:			
Utilization as Anticipated Revenue	A-1	2,100,000	1,800,000
Fund Balance, December 31	A	<u>\$ 5,686,888</u>	<u>\$ 4,448,600</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, 2013**

	Reference	Budget	Added by NJSA 40A:4-87	Realized	Excess or (Deficit)
Surplus Anticipated	A-1	\$ 2,100,000	-	\$ 2,100,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	16,250		17,590	\$ 1,340
Other	A-2	22,000		27,582	5,582
Fees and Permits	A-2	165,000		230,990	65,990
Fines and Costs - Municipal Court	A-12	140,000		144,573	4,573
Interest and Costs on Taxes	A-12	55,000		60,467	5,467
Interest on Investments and Deposits	A-2	200		389	189
Uniform Fire Safety Act Local Enforcement Fees	A-12	70,000		87,841	17,841
Uniform Construction Code Fees	A-12	225,000		310,703	85,703
Energy Receipts Tax	A-12	1,262,378		1,262,378	
Municipal Court Shared Service	A-12	156,719		150,321	(6,398)
Uniform Fire Safety Act - LEA Rebate	A-12	7,600		15,614	8,014
Cable TV Franchise Fees	A-12	80,000		108,699	28,699
Sewer Agreement - Marriott Corporation	A-12	64,933		64,933	
Hotel/Motel Tax	A-12	155,000		185,823	30,823
Local School District - Fieldstone Fields	A-12	25,000		25,000	
General Capital Fund Balance	C-4	44,437		44,437	
Municipal Alliance on Alcoholism and Drug Abuse	A-7	9,876		9,876	
Alcohol Ed Rehabilitation	A-7		\$ 580	580	
CDBG - Senior Citizens	A-7		3,274	3,274	
Clean Communities	A-7		15,976	15,976	
NJDOT - Magnolia Avenue	A-7		150,000	150,000	
Recycling Tonnage Grant	A-28	12,144		12,144	
Body Armor Grant - State Share	A-28	2,339	-	2,339	-
<b>Total Miscellaneous Revenues</b>	<b>A-1</b>	<b>2,513,876</b>	<b>169,830</b>	<b>2,931,529</b>	<b>247,823</b>
Receipts from Delinquent Taxes	A-1,A-9	205,000	-	587,019	382,019
<b>Sub-Total General Revenues</b>		<b>4,818,876</b>	<b>169,830</b>	<b>5,618,548</b>	<b>629,842</b>
Amount to be Raised by Taxes for Support of Municipal Budget					
Local Tax for Municipal Purposes		10,408,821		11,537,419	1,128,598
Minimum Library Tax		773,139	-	773,139	-
<b>Total Amount to be Raised by Taxes for Support of Municipal Budget</b>	<b>A-2</b>	<b>11,181,960</b>	<b>-</b>	<b>12,310,558</b>	<b>1,128,598</b>
<b>Total General Revenues</b>	<b>A-3</b>	<b>\$ 16,000,836</b>	<b>\$ 169,830</b>	<b>17,929,106</b>	<b>\$ 1,758,440</b>
Non-Budget Revenue	A-1,A-2			782,510	
				<u>\$ 18,711,616</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, 2013**

	<u>Reference</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collections		
Revenue from Current Taxes	A-9	\$ 41,812,770
Allocated to School, County and Municipal		
Open Space Taxes	A-19,A-20,A-21,A-22,A-23	<u>30,982,155</u>
Balance for Support of Municipal Budget Appropriation		10,830,615
Add Appropriation "Reserve for Uncollected Taxes"	A-3	<u>1,479,943</u>
Amount for Support of Municipal Budget Appropriation	A-2	<u>\$ 12,310,558</u>
Licenses - Other		
Borough Clerk	A-12	<u>\$ 27,582</u>
	A-2	<u>\$ 27,582</u>
Fees and Permits		
Health Officer	A-12	\$ 620
Planning Board	A-12	64,691
Police	A-12	2,501
Tax Collector - Tax Search Fees	A-12	237
Recreation	A-12	83,190
Borough Clerk - Parking Permits	A-12	4,171
Construction Code Official	A-12	<u>75,580</u>
	A-2	<u>\$ 230,990</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-12	\$ 30
Due from Other Trust Fund	B-10	357
Due from General Capital Fund	C-4	<u>2</u>
	A-2	<u>\$ 389</u>

**BOROUGH OF MONTVALE  
STATEMENT OF REVENUES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Reference</u>	
<b>ANALYSIS OF NON-BUDGET REVENUE</b>		
Excess Sewer Fees		\$ 261,706
Sale of Assets		150,000
FEMA Reimbursement		115,397
Refunds		73,544
Sewer Fees		68,689
Traffic Control		46,018
Cell Tower		25,909
Rental of Borough Property		24,000
Recycling		6,665
US Department of Transportation-Drive Sober Reimbursement		4,400
US Department of Transportation-Click it Or Ticket Reimbursement		4,000
Administration Fee - N.J. Seniors' and Veterans' Deductions		1,165
Copies and Duplication Fees		848
Miscellaneous		<u>169</u>
	A-2,A-4	<u>\$ 782,510</u>

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Administrative and Executive					
Salaries and Wages	\$ 203,060	\$ 203,060	\$ 184,417	\$ 18,643	
Other Expenses	94,945	94,945	88,560	6,385	
Mayor and Council					
Salaries and Wages	42,390	42,490	42,422	68	
Other Expenses	13,850	13,850	11,905	1,945	
Borough Clerk					
Salaries and Wages	125,240	125,740	125,286	454	
Other Expenses	18,400	18,400	11,284	7,116	
Elections					
Salaries and Wages	1,500	1,500	1,286	214	
Other Expenses	10,250	10,250	6,848	3,402	
Financial Administration					
Salaries and Wages	193,520	193,520	185,664	7,856	
Other Expenses	17,750	25,750	19,869	5,881	
Audit Services					
Other Expenses	39,500	39,500	37,700	1,800	
Assessment of Taxes					
Salaries and Wages	32,680	32,680	32,602	78	
Other Expenses	30,350	30,350	29,476	874	
Collection of Taxes					
Salaries and Wages	55,400	55,400	55,400	-	
Other Expenses	23,150	23,150	16,967	6,183	
Legal Services and Costs					
Other Expenses	225,000	235,000	231,742	3,258	
Engineering Services and Costs					
Other Expenses	125,000	125,000	118,876	6,124	
Cable TV Committee					
Salaries and Wages	7,045	7,045	5,688	1,357	
Other Expenses	12,250	12,250	11,359	891	

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, 2013**

	<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	\$ 350	\$ 350	\$ 189	\$ 161	
Historian					
Other Expenses	280	280	11	269	
Municipal Land Use Law Planning Board					
Salaries and Wages	72,920	72,920	71,001	1,919	
Other Expenses	128,550	68,050	37,571	30,479	
Zoning Official					
Salaries and Wages	8,030	8,030	8,010	20	
Code Enforcement and Administration					
Property Maintenance					
Salaries and Wages	2,925	2,925	2,919	6	
Insurance					
Life Insurance	3,300	3,300	2,557	743	
General Liability	157,500	157,500	140,957	16,543	
Workers Compensation	180,000	180,000	175,235	4,765	
Employee Group Health	1,000,000	1,000,000	946,597	53,403	
Employee Group Health -Waiver	18,000	18,000	17,475	525	
Unemployment Insurance	50,000	50,000	50,000	-	
PUBLIC SAFETY FUNCTIONS					
Fire					
Other Expenses	113,100	113,100	108,223	4,877	
Fire Hydrant Service	195,000	195,000	176,618	18,382	
Police					
Salaries and Wages	2,742,675	2,682,675	2,632,504	50,171	
Other Expenses	97,120	137,120	134,676	2,444	
Purchase of Police Vehicles	60,000	60,000	49,590	10,410	
Police Dispatch					
Other Expenses	40,000	40,000	19,278	20,722	

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, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Continued)					
First Aid Organization					
Other Expenses	\$ 27,200	\$ 27,200	\$ 20,729	\$ 6,471	
Emergency Management					
Salaries and Wages	2,370	2,370	2,341	29	
Other Expenses	9,950	9,950	4,170	5,780	
Uniform Fire Safety Act					
Salaries and Wages	43,240	43,240	42,762	478	
Other Expenses	10,300	10,300	5,471	4,829	
Prosecutor					
Other Expenses	12,500	12,500	12,500	-	
PUBLIC WORKS FUNCTIONS					
Road Repair and Maintenance					
Salaries and Wages	599,735	599,735	563,081	36,654	
Other Expenses	306,525	436,525	416,669	19,856	
Sewer System					
Other Expenses	60,000	62,500	60,931	1,569	
Garbage and Trash Removal					
Other Expenses	440,000	440,000	440,000	-	
Recycling					
Salaries and Wages	8,550	8,550	7,796	754	
Other Expenses	120,000	120,000	42,961	77,039	
Public Buildings and Grounds					
Salaries and Wages	101,426	101,426	83,280	18,146	
Other Expenses	121,567	91,567	69,465	22,102	
Maintenance of All Vehicles					
Other Expenses	123,000	113,000	101,153	11,847	
Municipal Services Act					
Other Expenses	15,000	15,000	11,913	3,087	

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, 2013**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After	Paid or	<u>Reserved</u>	Balance
		<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	\$ 2,440	\$ 2,440	\$ 1,805	\$ 635	
Other Expenses	72,450	72,450	65,408	7,042	
Environmental Commission					
Salaries and Wages	1,150	1,150	460	690	
Other Expenses	950	950	429	521	
Animal Regulation					
Other Expenses	9,800	9,800	9,420	380	
Administration of Public Assistance					
Salaries and Wages	5,940	5,940	5,938	2	
Other Expenses	320	320	244	76	
PARK AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Salaries & Wages	5,000	5,000	5,000	-	
Other Expenses	4,000	4,000	3,042	958	
Recreation Services and Programs					
Salaries and Wages	83,380	83,380	72,430	10,950	
Other Expenses	21,300	21,300	14,587	6,713	
Senior Citizen Van					
Salaries and Wages	15,600	15,600	11,114	4,486	
Senior Citizens					
Other Expenses	9,700	9,700	3,377	6,323	
Celebration of Public Events					
Other Expenses	21,200	21,200	21,200	-	
OTHER COMMON OPERATING FUNCTIONS					
PEOSHA Compliance					
Other Expenses	2,000	2,000	-	2,000	
Salary Adjustment Account	5,000	3,400		3,400	
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	94,075	94,075	90,671	3,404	
Other Expenses	10,375	10,375	7,355	3,020	

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, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
MUNICIPAL COURT FUNCTIONS (Continued)					
Public Defender					
Other Expenses	\$ 3,500	\$ 3,500	\$ 3,500		
STATE UNIFORM CONSTRUCTION CODE					
Construction Code Officials					
Salaries and Wages	126,220	126,220	104,875	\$ 21,345	
Other Expenses	8,650	8,650	7,124	1,526	
Building Subcode Official					
Salaries and Wages	48,820	48,820	36,224	12,596	
Plumbing Subcode Official					
Salaries and Wages	23,300	23,800	23,451	349	
Fire Subcode Official					
Salaries and Wages	13,970	14,470	14,269	201	
Electrical Subcode Official					
Salaries and Wages	22,770	22,770	22,610	160	
Elevator Subcode Official					
Salaries and Wages	9,250	9,250	6,556	2,694	
UNCLASSIFIED					
Utilities					
Gasoline	105,000	105,000	76,486	28,514	
Electricity	176,000	146,000	106,880	39,120	
Telephone	52,000	52,000	35,581	16,419	
Natural Gas	67,000	67,000	23,582	43,418	
Street Lighting	125,000	125,000	97,495	27,505	-
Total Operations Within "CAPS"	<u>9,288,553</u>	<u>9,288,553</u>	<u>8,547,097</u>	<u>741,456</u>	-
Contingent	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>	-
Total Operations including Contingent - Within "CAPS"	<u>9,289,553</u>	<u>9,289,553</u>	<u>8,547,097</u>	<u>742,456</u>	-
Detail:					
Salaries and Wages	4,699,621	4,639,621	4,441,862	197,759	-
Other Expenses	4,589,932	4,649,932	4,105,235	544,697	-

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, 2013**

	<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>	
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
DEFERRED CHARGES					
Prior Year Bill					
First Aid Organization	\$ 1,975	\$ 1,975	\$ 1,965		\$ 10
STATUTORY CHARGES					
Social Security System (O.A.S.I.)	209,500	209,500	188,207	\$ 21,293	
Defined Contribution Retirement Plan (DCRP)	9,000	9,000	6,457	2,543	
Public Employees Retirement System	171,487	171,487	171,487	-	
Police and Fireman's Retirement System	504,902	504,902	504,902	-	-
Total Deferred Charges and Statutory Expenditures Municipal Within "CAPS"	<u>896,864</u>	<u>896,864</u>	<u>873,018</u>	<u>23,836</u>	<u>10</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>10,186,417</u>	<u>10,186,417</u>	<u>9,420,115</u>	<u>766,292</u>	<u>10</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library Chap. 82, 541 P.L. 85	773,139	773,139	765,667	7,472	
Sewerage Processing and Disposal (Sanitation Chap. 74, P.L. 87)					
Contractual	945,000	945,000	932,418	12,582	
Reserve for Tax Appeals	150,000	150,000	150,000		
Recycling Tax	12,000	12,000	8,340	3,660	
Length of Service Award Program (LOSAP)	50,000	50,000	23,000	27,000	
Police Dispatch/911					
Other Expenses	173,500	173,500	173,132	368	

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, 2013**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Interlocal Services Agreement - Joint Municipal Court Services					
Municipal Court					
Salaries & Wages	\$ 94,075	\$ 94,075	\$ 90,671	\$ 3,404	
Other Expenses	46,644	46,644	41,418	5,226	
Prosecutor					
Other Expenses	12,500	12,500	12,500	-	
Public Defender					
Other Expenses	3,500	3,500	3,500	-	-
Total Other Operations Excluded from "CAPS"	<u>2,260,358</u>	<u>2,260,358</u>	<u>2,200,646</u>	<u>59,712</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Recycling Tonnage	12,144	12,144	12,144		
Clean Communities		15,976	15,976		
Municipal Alliance Program					
State Share	9,876	9,876	4,857	5,019	
Local Share	2,469	2,469	1,214	1,255	
Drunk Driving Enforcement					
Salaries and Wages	-	580	-	580	
CDBG Sr. Citizen Activities		3,274	-	3,274	
Body Armor-State Share	2,339	2,339	1,231	1,108	-
Total Public and Private Programs Offset by Revenues	<u>26,828</u>	<u>46,658</u>	<u>35,422</u>	<u>11,236</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,287,186</u>	<u>2,307,016</u>	<u>2,236,068</u>	<u>70,948</u>	<u>-</u>
Detail:					
Salaries and Wages	94,075	94,655	90,671	3,984	-
Other Expenses	2,193,111	2,212,361	2,145,397	66,964	-
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	200,000	200,000	200,000		
N.J. Transportation Trust Fund Magnolia Avenue Improvements	-	150,000	135,960	14,040	-
Total Capital Improvements Excluded from "CAPS"	<u>200,000</u>	<u>350,000</u>	<u>335,960</u>	<u>14,040</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, 2013**

	<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>	
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	\$ 1,490,000	\$ 1,490,000	\$ 1,490,000		
Interest on Bonds	<u>335,290</u>	<u>335,290</u>	<u>335,287</u>	-	\$ 3
Total Municipal Debt Service Excluded from "CAPS"	<u>1,825,290</u>	<u>1,825,290</u>	<u>1,825,287</u>	-	3
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"					
Deferred Charges					
Special Emergency Authorizations- 5 years (N.J.S.40A4-55)	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	-	-
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	<u>4,334,476</u>	<u>4,504,306</u>	<u>4,419,315</u>	\$ 84,988	3
Subtotal General Appropriations	14,520,893	14,690,723	13,839,430	851,280	13
Reserve for Uncollected Taxes	<u>1,479,943</u>	<u>1,479,943</u>	<u>1,479,943</u>	-	-
Total General Appropriations	<u>\$ 16,000,836</u>	<u>\$ 16,170,666</u>	<u>\$ 15,319,373</u>	<u>\$ 851,280</u>	<u>\$ 13</u>

Reference

A-2

A-1

A,A-1

Budget as Adopted	A-3	\$ 16,000,836
Appropriation by 40A:4-87	A-2	<u>169,830</u>
		<u>\$ 16,170,666</u>

Cash Disbursed	A-4	\$ 13,002,306
Encumbrances Payable	A-15	442,124
Due to LOSAP Fund	B	23,000
Due to General Capital Fund	C-4	200,000
Deferred Charges		
Special Emergency Authorization	A-13	22,000
Reserve for Tax Appeals	A-26	150,000
Reserve for Uncollected Taxes	A-2	<u>1,479,943</u>
		<u>\$ 15,319,373</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF MONTVALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
<b>ANIMAL CONTROL FUND</b>			
Cash	B-3	\$ <u>20,694</u>	\$ <u>17,588</u>
<b>OTHER TRUST FUND</b>			
Cash	B-3	<u>1,507,774</u>	<u>2,419,380</u>
<b>UNEMPLOYMENT INSURANCE FUND</b>			
Cash	B-3	<u>227,815</u>	<u>174,643</u>
<b>OPEN SPACE PRESERVATION TRUST FUND</b>			
Cash	B-3	<u>382,266</u>	<u>539,367</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)</b>			
Investments	B	395,275	305,341
Due from Current Fund	A	<u>23,000</u>	<u>26,450</u>
		<u>418,275</u>	<u>331,791</u>
Total Assets		<u>\$ 2,556,824</u>	<u>\$ 3,482,769</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF MONTVALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**TRUST FUNDS**  
**AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>LIABILITIES AND RESERVES</b>			
<b>ANIMAL CONTROL FUND</b>			
Due to State of NJ - Fees Payable	B-4	\$ 27	\$ 18
Due to Current Fund	B-6	3,663	2,278
Prepaid License Fees	B-7	1,890	
Reserve for Animal Control Expenditures	B-5	<u>15,114</u>	<u>15,292</u>
		<u>20,694</u>	<u>17,588</u>
<b>OTHER TRUST FUND</b>			
Due to Current Fund	B-10	5,022	1,028
Escrow Deposits	B-11	981,636	930,393
Miscellaneous Reserves and Deposits	B-12	478,566	1,442,916
Payroll Deductions Payable	B-13	<u>42,550</u>	<u>45,043</u>
		<u>1,507,774</u>	<u>2,419,380</u>
<b>UNEMPLOYMENT INSURANCE FUND</b>			
Due to State of NJ - Claims Payable	B-9	1,248	150
Reserve for Unemployment Compensation Insurance Claims	B-8	<u>226,567</u>	<u>174,493</u>
		<u>227,815</u>	<u>174,643</u>
<b>OPEN SPACE PRESERVATION TRUST FUND</b>			
Reserve for Open Space Preservation	B-16	<u>382,266</u>	<u>539,367</u>
<b>LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)</b>			
Reserve for LOSAP Contributions	B	<u>418,275</u>	<u>331,791</u>
<b>Total Liabilities and Reserves</b>		<u>\$ 2,556,824</u>	<u>\$ 3,482,769</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF MONTVALE**  
**STATEMENT OF REVENUES-REGULATORY BASIS**  
**OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Anticipated</u>		<u>Realized</u>	<u>Excess or (Deficit)</u>
	<u>Budget (Memo)</u>	<u>Budget After Modifications (Memo)</u>		
Amount to be Raised by Taxation	\$ 100,623	\$ 100,623	\$ 100,714	\$ 91
Reserve Balance Anticipated	<u>-</u>	<u>207,927</u>	<u>207,927</u>	<u>-</u>
	<u>\$ 100,623</u>	<u>\$ 308,550</u>	<u>\$ 308,641</u>	<u>\$ 91</u>
<u>Reference</u>	B-2	B-2	B-15,B-16	

EXHIBIT B-2

**STATEMENT OF EXPENDITURES-REGULATORY BASIS**  
**OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Appropriated</u>		<u>Expended</u>	
	<u>Budget (Memo)</u>	<u>Budget After Modification (Memo)</u>	<u>Paid or Charged</u>	<u>Reserved</u>
Maintenance of Land for Recreation and Conservation				
Other Expenses		\$ 308,550	\$ 308,550	
Reserve for Future Use	<u>\$ 100,623</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 100,623</u>	<u>\$ 308,550</u>	<u>\$ 308,550</u>	<u>\$ -</u>
<u>Reference</u>	B-1	B-1	B-16	

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF MONTVALE**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 1,151,939	\$ 1,178,125
Deferred Charges to Future Taxation Funded	C-5	<u>9,685,000</u>	<u>11,175,000</u>
 Total Assets		 <u>\$ 10,836,939</u>	 <u>\$ 12,353,125</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds	C-11	\$ 9,685,000	\$ 11,175,000
Encumbrances Payable	C-6	164,934	196,392
Improvement Authorizations Funded	C-10	525,624	695,235
Capital Improvement Fund	C-7	294,741	94,741
Reserve for Payment of Debt	C-8	5,059	5,059
Reserve for Improvement of Field	C-9	35,395	22,900
Fund Balance	C-1	<u>126,186</u>	<u>163,798</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 10,836,939</u>	 <u>\$ 12,353,125</u>

There were no bonds and notes authorized but not issued on December 31, 2013 and 2012.

**BOROUGH OF MONTVALE**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
Balance, January 1	C	\$ 163,798	\$ 198,825
Increased by:			
Cancellation of Funded Improvement Authorizations	C-10	58,825	
Excess Proceeds of Bond Issuance Costs	C-1	<u>-</u>	<u>11,662</u>
		222,623	210,487
Decreased by:			
Improvement Authorization	C-10	52,000	
Due Current Fund as Anticipated Revenue	C-4	<u>44,437</u>	<u>46,689</u>
Balance, December 31	C	<u>\$ 126,186</u>	<u>\$ 163,798</u>

**BOROUGH OF MONTVALE  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
PUBLIC ASSISTANCE FUND  
AS OF DECEMBER 31, 2013 AND 2012**

	<u>Reference</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
Cash	D-1	\$ <u>6,066</u>	\$ <u>10,264</u>
Total Assets		<u>\$ 6,066</u>	<u>\$ 10,264</u>
<b>LIABILITIES AND RESERVES</b>			
Reserve for Public Assistance Expenditures	D-2	\$ <u>6,066</u>	\$ <u>10,264</u>
Total Liabilities and Reserves		<u>\$ 6,066</u>	<u>\$ 10,264</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF MONTVALE  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Land and Land Improvements	\$ 18,227,722	\$ 18,077,602
Buildings and Building Improvements	14,624,626	13,940,746
Machinery and Equipment	<u>7,365,592</u>	<u>7,320,437</u>
	<u>\$ 40,217,940</u>	<u>\$ 39,338,785</u>
FUND BALANCE		
Investment in General Fixed Assets	<u>\$ 40,217,940</u>	<u>\$ 39,338,785</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**NOTES TO FINANCIAL STATEMENTS**

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Borough of Montvale (the "Borough") was incorporated in 1894 and operates under an elected Mayor/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.

**B. Description of Regulatory Basis of Accounting**

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

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

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**C. Basis of Presentation – Financial Statements**

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**C. Basis of Presentation – Financial Statements (Continued)**

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

**Financial Statements – Regulatory Basis**

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

**D. Measurement Focus and Basis of Accounting**

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

The Borough of Montvale follows a modified accrual basis of accounting. Under this method of accounting, revenues, except State/Federal Aid, are recognized when received and expenditures are recorded when incurred. The accounting principles and practices prescribed or permitted for municipalities by the Division (“regulatory basis of accounting”) differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

**Cash and Investments** - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are reported at cost and are limited by N.J.S.A. 40A:5-15.1 et seq. with the exception of LOSAP Trust Fund investments which are reported at fair value and are limited by N.J.A.C. 5:30-14.19. GAAP requires that all investments be reported at fair value.

**Inventories** - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets. GAAP requires inventories to be recorded as assets in proprietary-type funds.

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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

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

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

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

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

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

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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

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

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

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

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

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

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

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

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

**BOROUGH OF MONTVALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

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

**General Fixed Assets (Continued)**

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.

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, 2012 balances to conform to the December 31, 2013 presentation.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

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

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**A. Budgets and Budgetary Accounting (Continued)**

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2013 and 2012 the Borough Council increased the original budget by \$169,830 and \$460,896. The increase in 2013 was funded by additional aid allotted to the Borough. 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. In addition, the governing body approved several budget transfers during 2013 and 2012.

**NOTE 3 DEPOSITS AND INVESTMENTS**

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

**A. 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.

**BOROUGH OF MONTVALE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**A. Deposits (Continued)**

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, 2013 and 2012, the book value of the Borough's deposits were \$11,020,370 and \$11,111,078 and bank and brokerage firm balances of the Borough's deposits amounted to \$11,521,009 and \$12,279,446, 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>2013</u>	<u>2012</u>
Insured	\$ 11,462,663	\$ 12,221,133
Uninsured and Collateralized	<u>58,346</u>	<u>58,313</u>
	<u>\$ 11,521,009</u>	<u>\$ 12,279,446</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, 2013 and 2012, the Borough's bank balances of \$58,346 and \$58,313 were exposed to custodial credit risk as follows:

	<u>2013</u>	<u>2012</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department not in the Borough's name	<u>\$ 58,346</u>	<u>\$ 58,313</u>

**B. Investments**

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

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**B. Investments (Continued)**

As of December 31, 2013 and 2012, the Borough had the following investments:

	Fair Value (LOSAP)	
	<u>2013</u>	<u>2012</u>
Investment:		
Lincoln Financial Group LOSAP Investment Fund (Unaudited)	\$ 395,275	\$ 305,341

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, 2013 and 2012, \$395,275 and \$305,341 of the Borough’s investments were exposed to custodial credit risk as follows:

	Fair Value (LOSAP)	
	<u>2013</u>	<u>2012</u>
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name (Unaudited)	\$ 395,275	\$ 305,341

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, 2013 and 2012, the Borough’s investment in Lincoln Financial Group was rated Baa1 and Baa2, respectively, 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.

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
<u>Current</u>		
Property Taxes	\$ 368,739	\$ 621,678
Tax Title Liens	<u>14,151</u>	<u>21,497</u>
	<u>\$ 382,890</u>	<u>\$ 643,175</u>

In 2013 and 2012, the Borough collected \$587,019 and \$247,685 from delinquent taxes, which represented 91% and 91% , respectively, of the prior year delinquent taxes receivable balance.

**NOTE 5 DUE TO/FROM OTHER FUNDS**

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

	<u>2013</u>		<u>2012</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 8,685	\$ 23,000	\$ 3,306	\$ 26,450
Trust Funds				
Animal Control		3,663		2,278
Other Trust		5,022		1,028
LOSAP Fund	<u>23,000</u>	<u>-</u>	<u>26,450</u>	<u>-</u>
Total	<u>\$ 31,685</u>	<u>\$ 31,685</u>	<u>\$ 29,756</u>	<u>\$ 29,756</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, 2013 AND 2012**

**NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

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

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<b><u>2013</u></b>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 88,000	\$ 22,000	\$ 66,000
<b><u>2012</u></b>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 110,000	\$ 22,000	\$ 88,000

**NOTE 7 FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balances 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:

	<u>Fund Balance December 31, 2013</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31, 2012</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 5,372,883	\$ 2,800,000	\$ 4,015,955	\$ 2,100,000
Non-Cash Surplus	<u>314,005</u>	<u>-</u>	<u>432,645</u>	<u>-</u>
	<u>\$ 5,686,888</u>	<u>\$ 2,800,000</u>	<u>\$ 4,448,600</u>	<u>\$ 2,100,000</u>

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 8 FIXED ASSETS**

**A. General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2013 and 2012.

	Balance December 31, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2013</u>
<b><u>2013</u></b>				
Land and Land Improvements	\$ 18,077,602	\$ 150,120		\$ 18,227,722
Buildings and Building Improvements	13,940,746	683,880		14,624,626
Machinery and Equipment	<u>7,320,437</u>	<u>45,155</u>	<u>-</u>	<u>7,365,592</u>
	<u>\$ 39,338,785</u>	<u>\$ 879,155</u>	<u>\$ -</u>	<u>\$ 40,217,940</u>
	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<b><u>2012</u></b>				
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>

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT**

The Local Bond Law governs the issuance of bonds and notes used to finance capital expenditures. General obligation bonds have been issued for general capital. 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.

	<u>2013</u>	<u>2012</u>
Issued		
General		
Bonds and Notes	\$ 9,685,000	\$ 11,175,000
Less Funds Temporarily Held to Pay Bonds and Notes	<u>5,059</u>	<u>5,059</u>
Net Debt Issued	9,679,941	11,169,941
Authorized But Not Issued		
General		
Bonds and Notes	<u>-</u>	<u>-</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 9,679,941</u>	<u>\$ 11,169,941</u>

**Statutory Net Debt**

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .42% and .48% at December 31, 2013 and 2012, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2013</u></b>			
General Debt	\$ 9,685,000	\$ 5,059	\$ 9,679,941
School Debt	<u>11,194,344</u>	<u>11,194,344</u>	<u>-</u>
Total	<u>\$ 20,879,344</u>	<u>\$ 11,199,403</u>	<u>\$ 9,679,941</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2012</u></b>			
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>

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**Statutory Borrowing Power**

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

	<u>2013</u>	<u>2012</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 79,918,415 9,679,941	\$ 80,001,705 11,169,941
Remaining Borrowing Power	<u>\$ 70,238,474</u>	<u>\$ 68,831,764</u>

**A. Long-Term Debt**

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

**General Obligation Bonds**

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

	<u>2013</u>	<u>2012</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
\$3,775,000, 2010 Refunding Bonds, due in annual installments of \$450,000 to \$475,000 through August, 2019, interest at 2.00% to 4.375%	\$ 2,750,000	3,225,000
\$3,695,000, 2011 Bonds, due in annual installments of \$265,000 to \$430,000 through December, 2021, interest at 2.00% to 2.50%	3,215,000	3,480,000
\$3,745,000, 2012 Refunding Bonds, due in annual installments of \$740,000 to \$750,000 through October, 2018, interest at 3.00% to 4.00%	<u>3,720,000</u>	<u>3,720,000</u>
	<u>\$ 9,685,000</u>	<u>\$ 11,175,000</u>

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 9 MUNICIPAL DEBT (Continued)**

**A. Long-Term Debt (Continued)**

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2013 is as follows:

Calendar Year	General		Total
	Principal	Interest	
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	1,625,000	105,900	1,730,900
2019-2021	<u>1,730,000</u>	<u>79,688</u>	<u>1,809,688</u>
	<u>\$ 9,685,000</u>	<u>\$ 1,081,388</u>	<u>\$ 10,766,388</u>

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years ended December 31, 2013 and 2012 were as follows:

	Balance, December 31, <u>2012</u>	<u>Increases</u>	<u>Reductions</u>	Balance, December 31, <u>2013</u>	Due Within <u>Year</u>
<b><u>2013</u></b>					
General Capital Fund Bonds Payable	<u>\$ 11,175,000</u>	<u>\$ -</u>	<u>\$ 1,490,000</u>	<u>\$ 9,685,000</u>	<u>\$ 1,530,000</u>
	Balance, December 31, <u>2011</u>	<u>Increase</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<b><u>2012</u></b>					
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>

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2013</u>		
Engineering - County Road Improvements	\$75,858	2014
<u>2012</u>		
Road Improvements	\$41,560	2013

**NOTE 11 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

Under the existing policies and labor agreements of the Borough, certain employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon 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 \$547,658 and \$532,041 at December 31, 2013 and 2012, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

**Changes in Other Long-Term Liabilities**

The Borough's changes in other long-term liabilities for the years ended December 31, 2013 and 2012 were as follows:

	<u>Balance, December 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2013</u>	<u>Due Within One Year</u>
<u>2013</u>					
Compensated Absences	\$ 532,041	\$ 94,212	\$ 78,595	\$ 547,658	\$ 50,000
Other Long-Term Liabilities	\$ 532,041	\$ 94,212	\$ 78,595	\$ 547,658	\$ 50,000
	<u>Balance, December 31, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, December 31, 2012</u>	<u>Due Within One Year</u>
<u>2012</u>					
Compensated Absences	\$ 478,251	\$ 53,790	\$ -	\$ 532,041	\$ 78,595
Other Long-Term Liabilities	\$ 478,251	\$ 53,790	\$ -	\$ 532,041	\$ 78,595

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS**

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

**Police and Firemen's Retirement System (PFRS)** – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after 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](http://www.state.nj.us/treasury/pensions).

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 12 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 and 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 2013, the PERS member contribution rate was 6.64%. 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 beneficiaries 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. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at [www.state.nj/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 64.5 percent with an unfunded actuarial accrued liability of \$47.2 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 56.7 percent and \$34.4 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 76.1 percent and \$12.8 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, 2012 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.90% for investment rate of return for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases, which vary by fund.

**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% plus an additional 1% phased-in over 7 years beginning in July 2012 for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation. The member contribution for PERS was 6.64% in fiscal year 2013.

**Annual Pension Cost (APC)**

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2013. 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, 2013 AND 2012**

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

**Annual Pension Cost (APC) (Continued)**

During the years ended December 31, 2013, 2012 and 2011, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended December 31</u>	<u>PFRS</u>	<u>PERS (1)</u>	<u>DCRP</u>
2013	\$ 504,902	\$ 222,687	\$ 6,457
2012	561,667	227,692	4,285
2011	701,184	228,531	1,943

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS**

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

**NOTE 14 RISK MANAGEMENT**

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

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

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

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

**BOROUGH OF MONTVALE  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2013 AND 2012**

**NOTE 14 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>
2013	\$ 50,000	\$ 6,518	\$ 4,444	\$ 226,567
2012	115,000	6,249	26,866	174,493
2011	50,000	6,027	15,158	80,110

**NOTE 15 CONTINGENT LIABILITIES**

The Borough is a party defendant in some lawsuits, none of a kind unusual for a municipality of its size and scope of operation. In the opinion of the Borough’s Attorney, the potential claims against the Borough not covered by insurance policies would not materially affect the financial condition of the Borough.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2013 and 2012. 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, 2013 and 2012, the Borough reserved \$309,958 and \$323,816, 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, 2013 and 2012, 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, 2013 AND 2012**

**NOTE 16 FEDERAL ARBITRAGE REGULATIONS**

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2013 and 2012, the Borough has not estimated its estimated arbitrage earnings due to the IRS.

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

The Borough of Montvale Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on August 10, 1999 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of Montvale approved the adoption of the Plan at the general election held on November 2, 1999.

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

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 2013 and 2012, respectively, for each eligible volunteer fire department member into the Plan. The Borough also contributed \$23,000 and \$26,450 for 2013 and 2012, respectively for each eligible volunteer first aid squad members into the Plan.

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

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

**Vesting and Benefits**

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

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

**BOROUGH OF MONTVALE  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012**

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

**Reporting Requirements**

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

**Interlocal Services Agreement**

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

The contributions are made in accordance with the plan established by the Borough of Park Ridge pursuant to N.J.S.A.40A:14-183 et seq. Montvale's share of the Tri-Borough Volunteer Ambulance Corps. LOSAP contributions for the year ended December 31, 2013 have not been determined and for December 31, 2012 were \$14,415.

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 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, 2013. As of December 31, 2013, the Borough has received \$115,397 in FEMA reimbursements relating to Hurricane Sandy which have been reflected in the financial statements.

**CURRENT FUND**

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

Balance, December 31, 2012	\$	6,771,311
Increased by:		
Taxes Receivable	\$	41,936,299
Nonbudget Revenue		782,510
Prepaid Revenues		4,241
Due from State of NJ - Senior Citizens' and Veterans' Deductions		56,750
Revenue Accounts Receivable		2,627,611
Grants Receivable		270,481
Receipts from Other Trust Fund		1,363
Receipts from Animal Control Fund		2,278
Fees Payable		24,236
Prepaid Taxes		217,800
Miscellaneous Reserves		300,001
Reserve for Grants - Unappropriated		13,639
Petty Cash		500
Tax Overpayments		48,700
Voided Prior Year Outstanding Checks		<u>122</u>
		<u>46,286,531</u>
		53,057,842
Decreased by Disbursements:		
2013 Budget Appropriations	13,002,306	
2012 Appropriation Reserves	326,786	
County Taxes Payable	4,960,330	
Due to County for Added and Omitted Taxes	31,770	
Local School District Tax Payable	14,645,752	
Regional High School Taxes Payable	11,270,846	
Payments to Open Space Preservation Trust Fund	100,714	
Payments to General Capital Fund	155,561	
Accounts Payable	5,520	
Encumbrances Payable	519,598	
Petty Cash	500	
Reserve for Grants - Appropriated	1,752	
Payments to Other Trust Fund	5,000	
Payments to LOSAP Fund	26,450	
Tax Overpayments Refunded	87,653	
Fees Payable	30,030	
Tax Appeal Refunds	<u>163,858</u>	
		<u>45,334,426</u>
Balance, December 31, 2013	\$	<u>7,723,416</u>

**BOROUGH OF MONTVALE  
STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2012</u>	Balance, December 31, <u>2013</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>2012</u>	Revenue <u>Realized</u>	<u>Received</u>	<u>Cancelled</u>	Balance, December 31, <u>2013</u>
BCCD - Senior Citizens Activities	\$ 3,638	\$ 3,274	\$ 3,638		\$ 3,274
Municipal Alliance Program - 2013		9,876			9,876
Municipal Alliance Program - 2012	10,356		4,491	\$ 5,865	
NJ Department of Transportation- Akers Ave	146,500		109,875		36,625
NJ Department of Transportation- Magnolia		150,000	100,995		49,005
Alcohol Ed Rehabilitation		580	580		
Clean Communities Grant	-	15,976	15,976		
County of Bergen Municipal Escrow - Police	34,926		34,926		
County Open Space Fieldstone Improvements	<u>127,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,225</u>
	<u>\$ 322,645</u>	<u>\$ 179,706</u>	<u>\$ 270,481</u>	<u>\$ 5,865</u>	<u>\$ 226,005</u>
				<u>\$ 5,865</u>	
Reserve for Grants - Appropriated				<u>\$ 5,865</u>	

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

Balance, December 31, 2012		\$ 5,493
Increased by:		
Payment from State of New Jersey	\$ 56,750	
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2013	1,500	
Veterans'/Senior Citizen's Deductions Disallowed by Tax Collector - 2012	<u>2,000</u>	
		<u>60,250</u>
		65,743
Decreased by:		
Senior Citizens' Deductions Per Tax Billings	4,250	
Veterans' Deductions Per Tax Billings	53,625	
Veterans' Deductions Allowed by Tax Collector-2013	<u>1,000</u>	
		<u>58,875</u>
Balance, December 31, 2013		<u>\$ 6,868</u>

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

Year	Balance, December 31, 2012	2013 Levy	Senior Citizens' and Veterans' Deductions Disallowed	Senior Citizens' and Veterans' Deductions Allowed	Cancelled	Transferred to Tax Title Liens	Balance, December 31, 2013
2009	\$ 19,828			\$ 19,828			
2010	128,070			125,359	\$ 1,808		\$ 903
2011	91,980			84,824	5,373		1,783
2012	<u>381,800</u>	-	\$ 2,000	<u>357,008</u>	<u>5,654</u>	-	<u>21,138</u>
2013	621,678	\$ 42,207,847	2,000	587,019	12,835	-	23,824
	-	<u>\$ 42,207,847</u>	1,500	<u>41,349,280</u>	<u>49,038</u>	<u>\$ 1,124</u>	<u>344,915</u>
	<u>\$ 621,678</u>	<u>\$ 42,207,847</u>	<u>\$ 3,500</u>	<u>\$ 41,936,299</u>	<u>\$ 61,873</u>	<u>\$ 1,124</u>	<u>\$ 368,739</u>

Analysis of 2013 Property Tax Levy

**ANALYSIS OF 2013 PROPERTY TAX LEVY**

<b>TAX YIELD</b>	
General Purpose Tax	\$ 42,169,537
Added Taxes (54:4-63.1 et. seq.)	<u>38,310</u>
	<u>\$ 42,207,847</u>
Local District School Tax	\$ 14,645,752
Regional High School Tax	11,270,846
County Taxes:	
County Taxes	\$ 4,905,890
County Open Space	54,440
Due County for Added Taxes	<u>4,513</u>
(54:4-63.1 et. seq.)	
Municipal Open Space Tax	100,623
Municipal Open Space Added Taxes	<u>91</u>
	100,714
Local Tax for Municipal Purposes	10,408,821
Minimum Library Tax	773,139
Additional Tax Levied	<u>43,732</u>
	<u>11,225,692</u>
	<u>\$ 42,207,847</u>

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

Balance, December 31, 2012	\$ 21,497
Increased by:	
Transfers from Taxes Receivable - 2013	<u>1,124</u>
	22,621
Decreased by:	
Cancellations	<u>8,470</u>
Balance, December 31, 2013	<u>\$ 14,151</u>

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

Balance, December 31, 2012	<u>\$ 29,400</u>
Balance, December 31, 2013	<u>\$ 29,400</u>

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

	Balance, December 31, <u>2012</u>	Accrued in 2013	Collected	Balance, December 31, <u>2013</u>
Borough Clerk				
Licenses - Alcoholic Beverages		\$ 17,590	\$ 17,590	
Licenses - Other		27,582	27,582	
Fees and Permits		4,171	4,171	
Board of Health				
Fees and Permits		620	620	
Construction Code Official				
Uniform Construction Code Fees		310,703	310,703	
Fees and Permits - Other		75,580	75,580	
Police				
Fees and Permits		2,501	2,501	
Tax Collector				
Fees and Permits		237	237	
Planning Board				
Fees and Permits		64,691	64,691	
Recreation				
Fees and Permits		83,190	83,190	
Municipal Court				
Fines and Costs		150,297	144,573	\$ 5,724
Municipal Court Shared Service	\$ 39,334	147,863	150,321	36,876
Interest and Costs on Taxes	4,488	68,326	60,467	12,347
Interest Earned on Investments and Deposits		30	30	
Energy Receipts Tax		1,262,378	1,262,378	
Cable TV Franchise Fees		108,699	108,699	
Sewer Agreement - Marriott		64,933	64,933	
Local School District-Fieldstone Fields		25,000	25,000	
Hotel/Motel Tax		185,823	185,823	
Uniform Fire Safety Act:				
Local Enforcement Fees		87,841	87,841	
LEA Rebate	-	15,614	15,614	-
	<u>43,822</u>	<u>2,703,669</u>	<u>2,692,544</u>	<u>54,947</u>
			\$ 2,627,611	
Cash Received			64,933	
Prepaid Revenues Applied			<u>2,692,544</u>	

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

<u>Date</u>	<u>Purpose</u>	Net Amount Authorized	1/5 of Net Amount Authorized	Balance December 31, 2012	Raised in 2013 Budget	Balance, December 31, 2013
4/10/2012	Reassessment of Real Property	\$ 110,000	\$ 22,000	\$ 110,000	\$ 22,000	\$ 88,000

**BOROUGH OF MONTVALE  
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, <u>2012</u>	Encumbrances Cancelled	Balance After Modification	Paid or Charged	Transfers	Balance Lapsed
<b>SALARIES AND WAGES</b>						
Administrative and Executive	\$ 1,603		\$ 1,603			\$ 1,603
Mayor and Council	2		2			2
Borough Clerk	858		858			858
Elections	395		395			395
Financial Administration	3,941		3,941			3,941
Assessment of Taxes	3		3			3
Collection of Taxes	108		108			108
Cable TV Committee	5		5			5
Environmental Commission	115		115			115
Planning Board	905		905			905
Zoning Official	23		23			23
Code Enforcement and Administration Property Maint	17		17			17
Police	74,796		72,296	\$ 8,941		63,355
Emergency Management	10		10			10
Uniform Fire Safety Act	362		362			362
Road Repair and Maintenance	28,753		28,753			28,753
Recycling	2		2			2
Public Buildings and Grounds	802		802			802
Public Health Services	573		573			573
Public Assistance	2		2			2
Recreation Services and Programs	6,463		6,463			6,463
Senior Citizen Van	1,496		1,496			1,496
Municipal Court	10,721		10,721			10,721
Construction Code Official	717		717			717
Building Subcode Official	6		6			6
Plumbing Subcode Official	627		627			627
Fire Subcode Official	29		29			29
Electrical Subcode Official	629		629			629
Elevator Subcode Official	15		15			15
	<u>\$ 133,978</u>	<u>\$ -</u>	<u>\$ 131,478</u>	<u>\$ 8,941</u>	<u>\$ -</u>	<u>\$ 122,537</u>
<b>OTHER EXPENSES</b>						
Administrative and Executive	\$ 22,378	\$ 982	\$ 23,360			\$ 23,360
Mayor and Council	3,460		3,460	\$ 174		3,286
Borough Clerk	6,666		6,666	120		6,546
Elections	2,377		2,377			2,377
Financial Administration	1,302		1,302			1,302
Audit Services	1,000	2,200	3,200			3,200
Assessment of Taxes	10,320	50	10,370			10,370
Reassessment Program	8,200		8,200			8,200
Collection of Taxes	5,615	636	6,251			6,251
Legal Services and Costs	15,624	3,164	18,788			18,788
Engineering Services & Costs	34,018		34,018	255		33,763
Cable TV Commission	2,198	2,858	5,056			5,056
Historic Preservation Commission	565		565			565
Historian	381		381			381
Environmental Commission	593		593	50		543
Planning Board	6,633		6,633	2,520		4,113
Fire	2,753		5,253	3,883		1,370
Fire Hydrant Service	21,231		21,231	15,797		5,434
Police	22,443		22,443	44		22,399

**BOROUGH OF MONTVALE  
STATEMENT OF APPROPRIATION RESERVES**

	Balance, December 31, 2012	Encumbrances Cancelled	Balance After Modification	Paid or Charged	Transfers	Balance Lapsed
OTHER EXPENSES (Continued)						
Purchase of Police Vehicles	\$ 10,792		\$ 10,792	\$ 9,751		\$ 1,041
Police Radio Communications	10,296		10,296	750		9,546
First Aid Organization	1,780		1,780	348		1,432
Emergency Management	2,205	\$ 18	2,223			2,223
Uniform Fire Safety Act	1,472		1,472			1,472
Road Repair and Maintenance	83,936	1,790	85,726			85,726
Sewer System	3,548	46	3,594			3,594
Garbage and Trash Removal	11,682	2,311	13,993			13,993
Recycling Tax	2,216	189	2,405			2,405
Recycling	48,219		48,219	5,490		42,729
Public Buildings and Grounds	13,680		13,680	6,635		7,045
Maintenance of All Vehicles	18,090	236	18,326			18,326
Municipal Services Act	2,919	66	2,985			2,985
Public Health Services	14,399	544	14,943			14,943
Administration of Public Assistance	8		8			8
Animal Regulation		320	320			320
Parks and Playgrounds	1,281		1,281			1,281
Recreation Services and Programs	3,816		3,816	357		3,459
Senior Citizens	2,722		2,722	817		1,905
PEOSHA Compliance	2,000		2,000			2,000
Utilities:						
Gasoline	13,157		13,157	6,729		6,428
Electricity	81,294		81,294	19,591		61,703
Telephone	13,103		13,103	5,660		7,443
Natural Gas	48,517		48,517	9,273		39,244
Street Lighting	32,240		32,240			32,240
Contingent	643		643			643
Social Security System	30,501		30,501			30,501
Defined Contribution Retirement Plan	1,015		1,015	112		903
Public Employees Retirement System	45		45			45
Construction Code	1,938	50	1,988			1,988
Maintenance of Free Public Library	4,443		4,443	4,443		
Sewerage Processing and Disposal	32		32			32
Insurance						
Life Insurance	928	37	965			965
General Liability	8,489		8,489			8,489
Workers Compensation	3,902		3,902			3,902
Employee Group Health	96,726		96,726	331		96,395
Length of Service Award Program	23,550		23,550	16,114		7,436
Municipal Court	947	264	1,211			1,211
Public Defender		300	300			300
Municipal Alliance						
State Share	5,865		5,865		\$ 5,865	
Local Share	1,466		1,466			1,466
Drunk Driving Enforcement	2,418		2,418		2,418	
CDBG Sr. Citizen Activities	3,363		3,363	3,363		
NJDOT - Akers Ave.	146,500		146,500	135,620	10,880	
Open Space - Fieldstone Improvements	127,225		127,225	111,368	15,857	
Body Armor-State Share	1,468	-	1,468	1,468	-	-
	<u>\$ 1,052,593</u>	<u>\$ 16,061</u>	<u>\$ 1,071,154</u>	<u>\$ 361,063</u>	<u>\$ 35,020</u>	<u>\$ 675,071</u>
	<u>\$ 1,186,571</u>	<u>\$ 16,061</u>	<u>\$ 1,202,632</u>	<u>\$ 370,004</u>	<u>\$ 35,020</u>	<u>\$ 797,608</u>
Cash Disbursed				\$ 326,786		
Accounts Payable				43,218		
Transfer To Appropriated Grant Reserves				-	\$ 35,020	
				<u>\$ 370,004</u>	<u>\$ 35,020</u>	

**BOROUGH OF MONTVALE  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2012		\$ 535,659
Increased by:		
Charges to 2013 Budget Appropriations		<u>442,124</u>
		977,783
Decreased by:		
Cash Payments	\$ 519,598	
Cancellation Restored to Appropriation Reserves	<u>16,061</u>	
		<u>535,659</u>
Balance, December 31, 2013		<u>\$ 442,124</u>

EXHIBIT A-16

**STATEMENT OF ACCOUNTS PAYABLE**

Balance, December 31, 2012		\$ 30,106
Increased by:		
Transferred from Appropriation Reserves		<u>43,218</u>
		73,324
Decreased by:		
Payments	\$ 5,520	
Cancelled to Operations	<u>3,311</u>	
		<u>8,831</u>
Balance, December 31, 2013		<u>\$ 64,493</u>

EXHIBIT A-17

**STATEMENT OF PREPAID TAXES**

Balance, December 31, 2012		\$ 406,115
Increased by:		
2014 Prepaid Taxes Received		<u>217,800</u>
		623,915
Decreased by:		
Application to 2013 Taxes Receivable		<u>406,115</u>
Balance, December 31, 2013		<u>\$ 217,800</u>

**BOROUGH OF MONTVALE  
STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2012	\$	38,953
Increased by:		
Overpayments Received		48,700
		87,653
Decreased by:		
Refunded	\$	87,653

**STATEMENT OF LOCAL DISTRICT SCHOOL TAXES PAYABLE**

Increased by:		
2013 Levy	\$	14,645,752
Decreased by:		
Payments	\$	14,645,752

**STATEMENT OF REGIONAL HIGH SCHOOL TAXES PAYABLE**

Increased by:		
2013 Levy	\$	11,270,846
Decreased by:		
Payments	\$	11,270,846

**STATEMENT OF COUNTY TAXES PAYABLE**

Increased by:		
2013 Levy:		
General County Tax	\$	4,905,890
County Open Space Tax		54,440
		\$ 4,960,330
Decreased by:		
Payments	\$	4,960,330

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

Balance, December 31, 2012	\$	31,770
Increased by:		
2013 Levy Added Taxes		4,513
		36,283
Decreased by:		
Payments		31,770
Balance, December 31, 2013	\$	4,513

EXHIBIT A-23

**STATEMENT OF MUNICIPAL OPEN SPACE TAXES**

Increased by:		
2013 Levy	\$	100,623
2013 Added Levy		91
	\$	100,714
Decreased by:		
Due to Open Space Preservation Trust Fund	\$	100,714

EXHIBIT A-24

**STATEMENT OF FEES PAYABLE**

	Balance, December 31, <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2013</u>
Marriage Licenses	\$ 75	\$ 500	\$ 400	\$ 175
BOCA Fees	9,860	23,736	29,630	3,966
	\$ 9,935	\$ 24,236	\$ 30,030	\$ 4,141

**BOROUGH OF MONTVALE  
STATEMENT OF PREPAID REVENUE**

	Balance, December 31, <u>2012</u>	<u>Receipts</u>	Applied to Current Year <u>Revenue</u>	Balance, December 31, <u>2013</u>
Sewer Fees - Marriott	\$ 64,933	\$ 4,241	\$ 64,933	\$ 4,241
	<u>\$ 64,933</u>	<u>\$ 4,241</u>	<u>\$ 64,933</u>	<u>\$ 4,241</u>

EXHIBIT A-26

**STATEMENT OF RESERVE FOR TAX APPEALS**

Balance, December 31, 2012	\$ 323,816
Increased by:	
Charges to 2013 Budget Appropriations	<u>150,000</u>
	473,816
Decreased by:	
Tax Appeal Refunds	<u>163,858</u>
Balance, December 31, 2013	<u>\$ 309,958</u>

**BOROUGH OF MONTVALE  
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, <u>2012</u>	Cash Receipts	Balance, December 31, <u>2013</u>
Arbitrage Rebate	\$ 60,000		\$ 60,000
Sale of Municipal Assets	12,019		12,019
Sale of Property - Affordable Housing (CDBG)		\$ 300,000	300,000
Security Deposit	<u>3,963</u>	<u>1</u>	<u>3,964</u>
	<u>\$ 75,982</u>	<u>\$ 300,001</u>	<u>\$ 375,983</u>

EXHIBIT A-28

**STATEMENT OF RESERVE FOR GRANTS - UNAPPROPRIATED**

	Balance, December 31, <u>2012</u>	<u>Received</u>	Realized as Budgeted <u>Revenue</u>	Balance, December 31, <u>2013</u>
Recycling Tonnage Grant	\$ 12,144	\$ 10,627	\$ 12,144	\$ 10,627
Body Armor Fund	<u>2,339</u>	<u>3,012</u>	<u>2,339</u>	<u>3,012</u>
	<u>\$ 14,483</u>	<u>\$ 13,639</u>	<u>\$ 14,483</u>	<u>\$ 13,639</u>

EXHIBIT A-29

**STATEMENT OF RESERVES FOR GRANTS - APPROPRIATED**

	Balance, December 31, <u>2012</u>	Transfer from Appropriation <u>Reserves</u>	Cash Disbursements	<u>Cancelled</u>	Balance, December 31, <u>2013</u>
Drunk Driving Enforcement Fund	\$ 4,316	\$ 2,418	\$ 578		\$ 6,156
Municipal Alliance		5,865		\$ 5,865	-
NJDOT - Aikers		10,880			10,880
Open Space Fieldstone Improvements		15,857			15,857
Recycling Tonnage	<u>1,174</u>	<u>-</u>	<u>1,174</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,490</u>	<u>\$ 35,020</u>	<u>\$ 1,752</u>	<u>\$ 5,865</u>	<u>\$ 32,893</u>
			Grants Receivable	<u>\$ 5,865</u>	

**TRUST FUNDS**

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

	<u>Fund</u>	<u>Other Trust</u>	<u>Unemployment</u>	<u>Open Space</u>
	<u>Fund</u>	<u>Fund</u>	<u>Insurance</u>	<u>Preservation Trust</u>
Balance, December 31, 2012	\$ 17,588	\$ 2,419,380	\$ 174,643	\$ 539,367
Increased by Receipts:				
State Dog License Fees	\$ 700			
Borough Dog License Fees - 2013	6,797			
Prepaid Borough Dog License Fees - 2014	1,890			
Borough Cat License Fees	2,132			
Late Fees	225			
Interest Earned on Investments		\$ 922		
Escrow Deposits		944,058		
Miscellaneous Reserves and Deposits		298,227		
Payroll Deductions Payable		2,640,763		
Net Payroll Deposits		3,373,500		
Receipts from Current Fund		5,000		
Reimbursements from County Open Space			\$ 100,714	
Budget Appropriation			50,000	50,735
Employee Contributions-Unemployment	-	7,262,470	56,518	151,449
	<u>11,744</u>	<u>9,681,850</u>	<u>231,161</u>	<u>690,816</u>
Decreased by Disbursements:				
Animal Control Expenditures Under				
R.S. 4:19-15.11	5,669			
Payments to State for Dog License Fees	691			
Payments to State for Unemployment Claims			3,346	
Payments to Current Fund	2,278			
Escrow Deposits		1,363		
Miscellaneous Reserves and Deposits		893,380		
Reserve for Open Space Preservation		1,262,577		308,550
Payroll Deductions Payable		2,643,256		
Net Payroll	-	3,373,500	-	-
	<u>8,638</u>	<u>8,174,076</u>	<u>3,346</u>	<u>308,550</u>
Balance, December 31, 2013	<u>\$ 20,694</u>	<u>\$ 1,507,774</u>	<u>\$ 227,815</u>	<u>\$ 382,266</u>

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

Balance, December 31, 2012		\$ 18
Increased by:		
State Fees Collected		<u>700</u>
		718
Decreased by:		
Payments		<u>691</u>
Balance, December 31, 2013		<u>\$ 27</u>

EXHIBIT B-5

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

Balance, December 31, 2012		\$ 15,292
Increased by:		
Dog License Fees Collected	\$ 6,797	
Cat License Fees Collected	2,132	
Late Fees	<u>225</u>	
		<u>9,154</u>
		24,446
Decreased by:		
Expenditures Under R.S.4:19-15.11		
Cash Disbursements	5,669	
Statutory Excess Due Current Fund	<u>3,663</u>	
		<u>9,332</u>
Balance, December 31, 2013		<u>\$ 15,114</u>

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

Balance, December 31, 2012	\$	2,278
Increased by:		
Statutory Excess in Reserve for Animal Control Expenditures		3,663
		5,941
Decreased by:		
Cash Disbursements		2,278
Balance, December 31, 2013	\$	3,663

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

Increased by:		
Dog License Fees Collected for 2014	\$	1,890
Balance, December 31, 2013	\$	1,890

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

Balance, December 31, 2012		\$ 174,493
Increased by:		
Employee Contributions	\$ 6,518	
Budget Appropriation	<u>50,000</u>	
		<u>56,518</u>
		231,011
Decreased by:		
Unemployment Claims Due to State		<u>4,444</u>
Balance, December 31, 2013		<u>\$ 226,567</u>

EXHIBIT B-9

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

Balance, December 31, 2012		\$ 150
Increased by:		
Unemployment Claims Charged to Reserve		<u>4,444</u>
		4,594
Decreased by:		
Cash Disbursements		<u>3,346</u>
Balance, December 31, 2013		<u>\$ 1,248</u>

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

Balance, December 31, 2012		\$ 1,028
Increased by:		
Receipts from Current Fund	\$ 5,000	
Interest on Investments	<u>357</u>	
		<u>5,357</u>
		6,385
Decreased by:		
Payments to Current Fund		<u>1,363</u>
Balance, December 31, 2013		<u>\$ 5,022</u>

Analysis of Balance

Due to Current Fund - Developers' Accutrak Trust Account-Interest		\$ 22
Due to Current Fund - Flex Spending Account		<u>5,000</u>
		<u>\$ 5,022</u>

**STATEMENT OF ESCROW DEPOSITS  
OTHER TRUST FUND**

Balance, December 31, 2012		\$ 930,393
Increased by:		
Developers' Deposits	\$ 944,058	
Developers' Interest Earned	<u>565</u>	
		<u>944,623</u>
		1,875,016
Decreased by:		
Cash Disbursements		<u>893,380</u>
Balance, December 31, 2013		<u>\$ 981,636</u>

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

	Balance, December 31, <u>2012</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, December 31, <u>2013</u>
Engineering Fee Deposits	\$ 11,332	\$ 14,315	\$ 11,476	\$ 14,171
Planning Board Deposits	27,925			27,925
Affordable Housing Trust Fees	1,217,769	82,976	1,014,350	286,395
POAA Fees	978	410	608	780
Special Police Outside Duty Fees	33,664	105,793	113,715	25,742
Tax Title Lien Premiums	91,200		22,200	69,000
Celebration of Public Events Donations	2,538	6,771	8,228	1,081
Senior Center Donations	104		104	-
Public Defender Fees	265	325	300	290
Performance Bond Deposits	20,472	12,080	8,880	23,672
Tax Title Liens - Outside Lienholder Deposits	12,905	53,230	66,135	-
DARE Program Donations	3,377			3,377
Uniform Fire Safety Act Penalty Monies	5,755	3,601	2,569	6,787
Fire Training/Equipment UFSA Penalty Monies	1,638	1,750		3,388
Historic Preservation Donations	96	1,500		1,596
Flex Spending Account Deposits		15,373	14,012	1,361
Miscellaneous Deposits		100		100
North/South Park-Improvement Donations	12,898	3	-	12,901
	<u>\$ 1,442,916</u>	<u>\$ 298,227</u>	<u>\$ 1,262,577</u>	<u>\$ 478,566</u>

EXHIBIT B-13

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

Balance, December 31, 2012	\$ 45,043
Increased by:	
Deposits:	
Payroll Deductions	<u>2,640,763</u>
	2,685,806
Decreased by:	
Disbursements:	
Payroll Deductions	<u>2,643,256</u>
Balance, December 31, 2013	<u>\$ 42,550</u>

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

Increased by:		
Net Payroll Deposits		\$ 3,373,500
Decreased by:		
Disbursements - Net Payroll		<u>\$ 3,373,500</u>

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

Increased by:		
2013 Levy	\$ 100,623	
2013 Added Levy	<u>91</u>	
		\$ 100,714
Decreased by:		
Receipts from Current Fund		<u>\$ 100,714</u>

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

Balance, December 31, 2012		\$ 539,367
Increased by:		
Due from Current Fund		
2013 Levy	\$ 100,623	
2013 Added Levy	91	
Reimbursement from County Open Space Fund	<u>50,735</u>	
		<u>151,449</u>
		690,816
Decreased by:		
Cash Disbursements for Expenditures		<u>308,550</u>
Balance, December 31, 2013		<u>\$ 382,266</u>

**GENERAL CAPITAL FUND**

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

Balance, December 31, 2012		\$ 1,178,125
Increased by:		
Reserve for Improvement of Field	\$ 12,495	
Receipts from Current Fund	155,561	
Interest on Investments	<u>2</u>	
		<u>168,058</u>
		1,346,183
Decreased by Disbursements:		
Improvement Authorizations	15,012	
Encumbrances Payable	<u>179,232</u>	
		<u>194,244</u>
Balance, December 31, 2013		<u>\$ 1,151,939</u>

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

Balance,  
December 31,  
2013

Fund Balance	\$ 126,186
Encumbrances Payable	164,934
Capital Improvement Fund	294,741
Reserve for Payment of Debt	5,059
Reserve for Improvement of Field	35,395

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	10,820
1305	Various Capital Improvements-2009	10,633
1347	Sanitary Sewer System & Gabion Walls	160,285
1348	Various Capital Improvements-2011	308,804
1370	Engineering County Roads	22,000
1380	Various Equipment for Volunteer Fire Department	<u>1,555</u>
		<u>\$ 1,151,939</u>

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

Increased by:		
Budget Appropriation - Capital Improvement Fund		\$ 200,000
Decreased by:		
Interest Earned on Deposits	\$ 2	
Cash Receipts	155,561	
Fund Balance Anticipated as Budget Revenue	<u>44,437</u>	
		<u>\$ 200,000</u>

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

Balance, December 31, 2012		\$ 11,175,000
Decreased by:		
2013 Budget Appropriations to Pay Bonds		<u>1,490,000</u>
Balance, December 31, 2013		<u>\$ 9,685,000</u>

**BOROUGH OF MONTVALE  
STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2012		\$ 196,392
Increased by:		
Charges to Improvement Authorizations		<u>164,934</u>
		361,326
Decreased by:		
Cancellations Restored to Improvement Authorizations	\$ 17,160	
Payments	<u>179,232</u>	
		<u>196,392</u>
Balance, December 31, 2013		<u><u>\$ 164,934</u></u>

**STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, December 31, 2012		\$ 94,741
Increased by:		
Budget Appropriation Due from Current Fund		<u>200,000</u>
Balance, December 31, 2013		<u><u>\$ 294,741</u></u>

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

Balance, December 31, 2012	\$ <u>5,059</u>
Balance, December 31, 2013	\$ <u>5,059</u>

**STATEMENT OF RESERVE FOR IMPROVEMENT OF FIELD**

Balance, December 31, 2012	\$ 22,900
Increased by:	
Cash Receipts	<u>12,495</u>
Balance, December 31, 2013	<u>\$ 35,395</u>

**BOROUGH OF MONTVALE  
STATEMENT OF IMPROVEMENT AUTHORIZATIONS**

Ord. No.	Improvement Description	Ord. Amount	Balance December 31, 2012		2013 Authorizations			Encumbrances Cancelled	Expended	Authorizations Cancellation	Balance December 31, 2013	
			Funded	Unfunded	Reallocated	Capital Surplus	Funded				Unfunded	
General Improvements												
1199	Purchase and Renovation of Municipal Building	\$ 8,714,897	\$ 10,000	-	-	-	-	-	-	-	\$ 10,000	-
1178	Various Improvements - Recreation Fields	1,400,000	1,527	-	-	-	-	-	-	-	1,527	-
1201	Various Capital Improvements - 2003	2,000,000	7,820	-	-	-	\$ 3,000	-	-	-	10,820	-
1287	Various Capital Improvements- 2008	116,024	6,535	-	-	-	14,160	-	24	20,671	-	-
1305	Various Capital Improvements-2009	153,000	10,682	-	-	-	-	49	-	-	10,633	-
1347	Sanitary Sewer System & Gabion Walls	190,435	160,285	-	-	-	-	-	1,428	38,154	160,285	-
1348	Various Capital Improvements - 2011	2,100,000	498,386	-	\$ (150,000)	-	-	-	128,000	-	308,804	-
1370	Engineering County Roads	150,000	-	-	150,000	-	-	-	50,445	-	22,000	-
1380	Various Equipment for Volunteer Fire Department	52,000	-	-	-	-	-	-	-	-	1,555	-
			\$ 695,235	\$ -	\$ -	\$ -	\$ 17,160	\$ 179,946	\$ 58,825	\$ 525,624	\$ -	
Cash Disbursements								\$ 15,012				
Encumbrances Payable								164,934		\$ 58,825		
Fund Balance								-				
			\$ 179,946	\$ -	\$ -	\$ -	\$ 17,160	\$ 179,946	\$ 58,825	\$ 58,825	\$ -	



**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, 2012	\$ 35	\$ 10,229	\$ 10,264
Increased by:			
Receipts	<u>-</u>	<u>42,600</u>	<u>42,600</u>
	35	52,829	52,864
Decreased by:			
Disbursements	<u>-</u>	<u>46,798</u>	<u>46,798</u>
Balance, December 31, 2013	<u>\$ 35</u>	<u>\$ 6,031</u>	<u>\$ 6,066</u>

**STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE EXPENDITURES**

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Balance, December 31, 2012	\$ 35	\$ 10,229	\$ 10,264
Increased by:			
Revenues	<u>-</u>	<u>42,600</u>	<u>42,600</u>
	35	52,829	52,864
Decreased by:			
Expenditures	<u>-</u>	<u>46,798</u>	<u>46,798</u>
Balance, December 31, 2013	<u>\$ 35</u>	<u>\$ 6,031</u>	<u>\$ 6,066</u>

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

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
State Aid Payments	\$ -	\$ 42,600	\$ 42,600
Total Revenues/Receipts	<u>\$ -</u>	<u>\$ 42,600</u>	<u>\$ 42,600</u>

**STATEMENT OF PUBLIC ASSISTANCE EXPENDITURES**

	<u>Account #1</u>	<u>Account #2</u>	<u>Total</u>
Current Year Assistance (Reported):			
Maintenance Payments		\$ 9,801	\$ 9,801
Temporary Rental Assistance		34,497	34,497
Emergency Assistance - Rent		1,000	1,000
Emergency Assistance - Security Deposits	<u>-</u>	<u>1,500</u>	<u>1,500</u>
Total Expenditures/Disbursements	<u>\$ -</u>	<u>\$ 46,798</u>	<u>\$ 46,798</u>

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



**PART II  
GOVERNMENT AUDITING STANDARDS  
YEAR ENDED DECEMBER 31, 2013**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA  
ANDREW PARENTE, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
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, 2013, and the related notes to the financial statements, and have issued our report thereon dated July 3, 2014. Our report on the financial statements – regulatory basis was modified to indicate 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 modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

#### **Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Borough of Montvale's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

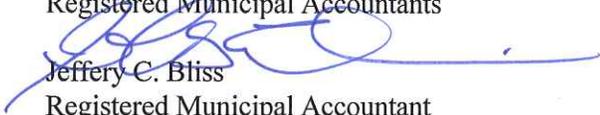
We also noted a certain matter that we reported to management of the Borough of Montvale in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

### **Purpose of this Report**

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

*LERCH, VINCI & HIGGINS, LLP*

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

  
Jeffery C. Bliss  
Registered Municipal Accountant  
RMA Number CR00429

Fair Lawn, New Jersey  
July 3, 2014

**BOROUGH OF MONTIVALE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	State Account Number	CFDA Number	Grant Period	Grant Award Amount	2013 Grant Receipts	Balance, January 1, 2013	Revenue Realized	Expenditures	Balance, December 31, 2013	(Memo) Cumulative Expenditures
<b>Federal Funding Department</b>										
U.S. Department of Housing and Urban Development (Passed Through the County Dept. of Community Development)		14.218	2012 2013	\$ 3,638 3,274	\$ 3,638	\$ 3,363	\$ 3,274	\$ 3,363	\$ 3,274	\$ 3,363
Community Development Block Grants Public Services - Senior Citizens Public Services - Senior Citizens	N/A N/A									
<b>U. S. Department of Homeland Security</b>		97.036	2013	115,397	115,397		115,397	115,397		115,397
Disaster Grants - Public Assistance (Passed Through the State Department of Law and Public Safety) FEMA - Hurricane Sandy	066-1200-100-A92									
<b>U.S. Department of Transportation</b>		20.205	2012 2013	146,500 150,000	109,875 100,995	146,500	150,000	135,620 135,960	10,880 14,040	135,620 135,960
Highway Planning and Construction (Passed Through State Department of Transportation) Municipal Aid Akers Ave. Magnolia Ave	078-6320-480-ALC 078-6320-480-ALL									
Alcohol Impaired Driving Countermeasures Grant (Passed Through State Dept. of Law and Public Safety) Drunk Driving Prevention	066-1160-100-057	20.601	2013	4,400	4,400		4,400	4,400		4,400
Occupancy Protection Incentive Grants (Passed Through State Dept. of Law and Public Safety) Occupancy Protection Grant	066-1160-100-155	20.616	2013	4,000	4,000		4,000	4,000		4,000
						\$ 149,863	\$ 277,071	\$ 398,740	\$ 28,194	

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

See Accompanying Notes to Schedule of Expenditures of Federal Awards



**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, 2013**

**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	\$ 277,071	\$ 40,915	\$ 317,986
Public Assistance Fund	<u>-</u>	<u>42,600</u>	<u>42,600</u>
	<u>\$ 277,071</u>	<u>\$ 83,515</u>	<u>\$ 360,586</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, 2013**

*Part I – Summary of Auditor’s Results*

**Financial Statements**

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

Internal control over financial reporting:

1) Material weakness(es) identified \_\_\_\_\_ yes  X  no

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

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards Section**

NOT APPLICABLE

**State Awards Section**

NOT APPLICABLE

**BOROUGH OF MONTVALE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

*Part 2 - Schedule of Financial Statement Findings*

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

There were none.

**BOROUGH OF MONTVALE  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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**

**Finding 2013-1**

Our audit of the State Tax Court and County Tax Board judgements received during 2013 revealed certain judgements were improperly applied and recorded to individual taxpayer's accounts.

**Status**

Corrective action has been taken.

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



**PART III**

**SUPPLEMENTARY DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2013**

**BOROUGH OF MONTVALE  
SUPPLEMENTARY DATA**

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

	<u>Year 2013</u>		<u>Year 2012</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
<b>REVENUE AND OTHER INCOME REALIZED</b>				
Fund Balance Utilized	\$ 2,100,000	4.28 %	\$ 1,800,000	3.83 %
Miscellaneous - From Other Than Local				
Property Tax Levies	3,714,039	7.58	3,733,446	7.94
Collection of Delinquent Taxes				
Tax and Tax Title Liens	587,019	1.20	247,685	0.53
Collection of Current Tax Levy	41,812,770	85.29	40,407,327	85.96
Other Credits to Income	808,010	1.65	818,911	1.74
	<u>49,021,838</u>	<u>100.00</u> %	<u>47,007,369</u>	<u>100.00</u> %
<b>EXPENDITURES</b>				
Budget Expenditures				
Municipal Purposes	14,690,710	32.16 %	14,287,918	32.08 %
County Taxes	4,964,843	10.87	4,993,101	11.21
Local & Regional School Taxes	25,916,598	56.73	25,137,220	56.44
Municipal Open Space Taxes	100,714	0.22	119,367	0.27
Other Expenditures	10,685	0.02	3,806	0.01
	<u>45,683,550</u>	<u>100.00</u> %	<u>44,541,412</u>	<u>100.00</u> %
Excess in Revenue	3,338,288		2,465,957	
Deferred Charges to Budget of Succeeding Year	<u>-</u>		<u>110,000</u>	
Statutory Excess to Fund Balance	3,338,288		2,575,957	
Fund Balance, January 1	<u>4,448,600</u>		<u>3,672,643</u>	
	7,786,888		6,248,600	
Less: Utilization as Anticipated Revenue	<u>2,100,000</u>		<u>1,800,000</u>	
Fund Balance, December 31	<u>\$ 5,686,888</u>		<u>\$ 4,448,600</u>	

**BOROUGH OF MONTVALE  
SUPPLEMENTARY DATA**

**Comparative Schedule of Tax Rate Information**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Tax Rate</u>	\$ <u>2.097</u>	\$ <u>1.726</u>	\$ <u>1.681</u>
<u>Apportionment of Tax Rate</u>			
Municipal	0.517	0.422	0.412
Library	0.038	0.031	0.032
Municipal Open Space	0.005	0.004	0.004
County	0.244	0.207	0.199
County Open Space	0.003	0.003	0.003
Local School	0.729	0.599	0.587
Regional High School	0.561	0.460	0.444
<u>Assessed Valuation</u>			
2013	\$ <u>2,010,945,912</u>		
2012		\$ <u>2,375,245,724</u>	
2011			\$ <u>2,376,384,781</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>
2013	\$ 42,207,847	\$ 41,812,770	99.06%
2012	41,257,864	40,557,327	98.30%
2011	40,227,047	39,638,195	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.

December 31, <u>Year</u>	Amount of Delinquent <u>Taxes</u>	Amount of Tax Title <u>Liens</u>	Total <u>Delinquent</u>	Percentage of <u>Tax Levy</u>
2013	\$ 368,739	\$ 14,151	\$ 382,890	0.91%
2012	621,678	21,497	643,175	1.56%
2011	251,865	19,500	271,365	.67%

**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>
2013	\$29,400
2012	29,400
2011	29,400

**Comparative Schedule of Fund Balances**

	<u>Year</u>	Balance, <u>December 31</u>	Utilized In Budget of <u>Succeeding Year</u>
Current Fund	2013	\$5,686,888	\$2,800,000
	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

**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 Leposky	Assessor
Jeffrey Fette	Building Code Official
Robert Culvert	Superintendent of Public Works (1/1/13-11/8/13)
Jeremy Abrams	Chief of Police
Katherine Bowen	Director of Welfare
Susan Ruttenber	Library Director
Harry D. Norton, Jr.	Magistrate
Catherine Cullen	Court Administrator and Violations Clerk
Maria Rotolo	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**

**Current Year**

Our audit of the Reserve for Field Improvements revealed that not all field use fees were charged in accordance with the approved fee resolution and that documentation to support the fees charged and collected were not available for audit. It is recommended that the field use fees be charged in accordance with the fee resolution approved by the governing body and that all documentation to support fees charged and collected be maintained on file and available for audit.

**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 2013. 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:

- 2013 Road Improvements – Akers Ave and Magnolia Ave
- 2013 Street Sweeping Services
- Memorial and LaTretta Sports Court Improvement
- Fieldstone School Athletic Field Improvements

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 2, 2013 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 2013, 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 24, 2013.

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>
2013	2
2012	2
2011	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 the field use fees be charged in accordance with the fee resolution approved by the governing body and that all documentation to support fees charged and collected be maintained on file and available for audit.

\*\*\*\*\*

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