

*In the opinion of McManimon, Scotland & Baumann, LLC, Bond Counsel, assuming compliance by the Borough (as defined herein) with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See “TAX MATTERS” herein.*

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

**\$6,160,000 GENERAL IMPROVEMENT BONDS, SERIES 2021  
(Bank Qualified) (Non-Callable)**

**Dated Date: Date of Delivery**

**Due: August 15, as shown on the inside front cover page**

The \$6,160,000 General Improvement Bonds, Series 2021 (the “Bonds”), of the Borough of Montvale, in the County of Bergen, New Jersey (the “Borough”), will be issued in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year and when issued will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

Interest on the Bonds will be payable semiannually on the fifteenth day of February and August in each year until maturity, commencing February 15, 2022. The principal of and interest due on the Bonds will be paid to DTC by the Borough as paying agent. Interest on the Bonds will be credited to the Participants (as defined herein) of DTC as listed on the records of DTC as of each next preceding February 1 and August 1 (the “Record Dates” for the payment of interest on the Bonds).

The Bonds are not subject to optional redemption prior to their stated maturities. See “THE BONDS – Redemption” herein.

The Bonds are valid and legally binding obligations of the Borough and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the Borough for the payment of the Bonds and the interest thereon without limitation as to rate or amount.

**This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including the Appendices, to obtain information essential to the making of an informed investment decision.**

The Bonds will be offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Delivery is anticipated to be at the offices of the Borough’s Bond Counsel, McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, or at such other place as agreed to with the Underwriter on or about August 19, 2021.

**ROOSEVELT & CROSS, INC. AND ASSOCIATES**

Dated: July 28, 2021

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

**\$6,160,000 GENERAL IMPROVEMENT BONDS, SERIES 2021**

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS**

Year	Principal	Interest Rate	Yield	CUSIP No.*
2022	\$ 360,000	0.05%	0.20%	615258GK0
2023	530,000	0.05%	0.25%	615258GL8
2024	550,000	0.05%	0.38%	615258GM6
2025	580,000	2.00%	0.38%	615258GN4
2026	625,000	2.00%	0.50%	615258GP9
2027	670,000	2.00%	0.62%	615258GQ7
2028	695,000	2.00%	0.75%	615258GR5
2029	720,000	2.00%	0.87%	615258GS3
2030	715,000	2.00%	1.00%	615258GT1
2031	715,000	2.00%	1.10%	615258GU8

\*\*CUSIP" is a registered trademark of the American Bankers Association. CUSIP numbers are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds, and the Borough does not make any representations with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specified maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

**MAYOR**

Michael Ghassali

**COUNCIL MEMBERS**

Douglas Arendacs  
Rose Curry  
Dieter Koelling  
Timothy E. Lane  
Christopher Roche  
Annmarie Russo-Vogelsang

**BOROUGH ADMINISTRATOR/BOROUGH CLERK**

Maureen Iarossi-Alwan

**CHIEF FINANCIAL OFFICER**

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Joseph Voytus, Esq.  
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**INDEPENDENT ACCOUNTANT**

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Fair Lawn, New Jersey

**BOND COUNSEL**

McManimon, Scotland & Baumann, LLC  
Roseland, New Jersey

**MUNICIPAL ADVISOR**

Phoenix Advisors, LLC  
Bordentown, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Borough to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Borough and other sources deemed reliable; however, no representation or warranty is made as to its accuracy or completeness by the Borough. Certain information concerning DTC is contained in this Official Statement. Such information has been furnished by DTC. The Borough has not confirmed the accuracy or completeness of any information relating to DTC, and the Borough disclaims any responsibility for the accuracy or completeness thereof. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Borough during normal business hours.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the Borough from time to time (collectively, the "*Official Statement*"), may be treated as a "Final Official Statement" with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or amendment) by the Borough.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be used, in whole or in part, for any other purpose.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor has it verified the accuracy or completeness thereof, and, accordingly, expresses no opinion with respect thereto.

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**OFFICIAL STATEMENT**  
**RELATING TO**  
**BOROUGH OF MONTVALE, IN THE**  
**COUNTY OF BERGEN, NEW JERSEY**

**\$6,160,000 GENERAL IMPROVEMENT BONDS, SERIES 2021**

**INTRODUCTION**

This Official Statement, which includes the cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Borough of Montvale (the "*Borough*"), in the County of Bergen (the "*County*"), New Jersey (the "*State*"), in connection with the sale and issuance of \$6,160,000 General Improvement Bonds, Series 2021 (the "*Bonds*"). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer and may be distributed in connection with the sale of the Bonds described herein.

This Official Statement is "deemed final", as of its date, within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

**THE BONDS**

**General Description**

The Bonds shall be dated their date of issuance and will mature on August 15 in the years and in the principal amounts as set forth on the inside front cover page hereof. The Bonds shall bear interest from their date, payable semiannually on each February 15 and August 15 (each, an "*Interest Payment Date*"), commencing February 15, 2022, in each year until maturity at the interest rates shown on the inside front cover page hereof. Interest on the Bonds shall be computed on a 30-day month/360-day year basis.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of the Bonds and in the principal amount of such maturity. The Bonds may be purchased in book-entry only form in the amount of \$5,000 or any integral multiple in excess thereof through book-entries made on the books and records of The Depository Trust Company, New York, New York ("*DTC*"), and its participants. So long as DTC or its nominee, Cede & Co. (or any successor or assign), is the registered owner for the Bonds, payments of the principal of and interest on the Bonds will be made by the Borough directly to Cede & Co. (or any successor or assign), as nominee for DTC. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding February 1 and August 1 (the "*Record Dates*" for the payment of interest on the Bonds). See "THE BONDS – Book-Entry-Only System" herein.

**Redemption**

The Bonds are not subject to redemption prior to their respective maturity dates.

## Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other payments due on the Bonds to DTC Participants or Beneficial Owners (each as defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. Accordingly, the Borough does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"; and together with the Direct Participants, the "*DTC Participants*"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.



To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough or its paying agent, if any, as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).

Payment of distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Borough or paying agent, on payable date in accordance with their respective holdings shown on DTC's records.

Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the paying agent, if any, or the Borough, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or its paying agent, if any, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Borough or its paying agent, if any. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Borough believes to be reliable, but the Borough does not take any responsibility for the accuracy thereof.

THE BOROUGH AS PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE FOR DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTIONS "TAX MATTERS" AND "SECONDARY MARKET DISCLOSURE") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

### **Discontinuance of Book-Entry-Only System**

If the Borough, in its sole discretion, determines that DTC is not capable of discharging its duties, or if DTC discontinues providing its services with respect to the Bonds at any time, the Borough will attempt to locate another qualified securities depository. If the Borough fails to find such a securities depository, or if the Borough determines, in its sole discretion, that it is in the best interest of the Borough or that the interest of the Beneficial Owners might be adversely affected if the book-entry-only system of transfer is continued (the Borough undertakes no obligation to make an investigation to determine the occurrence of any events that would permit it to make such determination), the Borough shall notify DTC of the termination of the book-entry-only system.

### **SECURITY AND SOURCE OF PAYMENT**

The Bonds are valid and legally binding obligations of the Borough, and the Borough has pledged its full faith and credit for the payment of the principal of and interest on the Bonds. The Borough is required by law to levy *ad valorem* taxes upon all the taxable property within the Borough for the payment of the principal of and interest due on the Bonds without limitation as to rate or amount.

### **AUTHORIZATION AND PURPOSE OF BONDS**

The Bonds have been authorized by and are being issued pursuant to the laws of the State, including the Local Bond Law (constituting Chapter 2 of Title 40A of the New Jersey Statutes, as amended) (the "*Local Bond Law*"), the bond ordinances adopted by the Borough referred to in the chart below and a resolution duly adopted by the Borough on June 29, 2021 (the "*Bond Resolution*").

<b>Bond Ordinance</b>	<b>Description of Improvement and Date of Adoption of Bond Ordinance</b>	<b>Refunding Proceeds</b>	<b>New Money Proceeds</b>	<b>Total Amount Funded from Bond Proceeds</b>
#2019-1470	Various capital improvements, finally adopted May 28, 2019.	\$2,322,185	\$26,250	\$2,348,435
#2020-1482	Various capital improvements, finally adopted May 12, 2020.	\$1,954,665	\$0	\$1,954,665
#2020-1497	Various road improvements, finally adopted April 13, 2021.	\$0	\$2,161,900	\$2,161,900

Proceeds from the sale and issuance of the Bonds will be used by the Borough to (i) currently refund \$2,322,185 of the Borough's \$2,325,000 Bond Anticipation Note, dated and issued August 20, 2020 and maturing August 20, 2021, together with \$2,815 in principal reduction payments, (ii) currently refund \$1,954,665 of the Borough's \$2,175,000 Bond Anticipation Note,

dated and issued September 25, 2020 and maturing August 20, 2021, together with \$220,335 in principal reduction payments, (iii) provide \$2,188,150 in new money to finance the projects set forth in the bond ordinances described above, and (iv) pay the costs incurred in connection with the authorization, sale and issuance of the Bonds.

### **INFECTIOUS DISEASE OUTBREAK – COVID-19**

In early March of 2020, the World Health Organization declared a pandemic following the global outbreak of COVID-19, a respiratory disease caused by a newly discovered strain of coronavirus. On March 13, 2020, President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. Governor Phil Murphy (the "Governor") of the State of New Jersey declared a state of emergency and a public health emergency on March 9, 2020 due to the outbreak of COVID-19, which has spread throughout the State and to all counties within the State. The Governor has also instituted mandatory measures via various executive orders to contain the spread of the virus. These measures, which alter the behavior of businesses and people, have had and may continue to have impacts on regional, state and local economies. Throughout the COVID-19 pandemic, the Governor has signed multiple executive orders instituting mitigation protocols limiting certain activities as well as permitting the resumption of certain activities, based on the evolution of the COVID-19 pandemic within this State. On June 4, 2021, the Governor signed legislation enabling the end of the public health emergency and keeping certain executive orders in place until January 1, 2022, though such executive orders may be modified or rescinded prior to that date by the Governor. The declaration of the state of emergency remains in effect as of the date hereof.

As of December 31, 2020, the Borough's finances and operations had certain reduced revenue streams due to the COVID-19 pandemic; however, the overall finances and operations of the Borough have not been materially and adversely affected due to the COVID-19 outbreak. The finances and operations of the Borough may be materially and adversely affected going forward as a result of the COVID-19 pandemic through reduced or delayed revenue streams, which include the collection of property taxes, which is the Borough's primary revenue source for supporting its budget. The Borough cannot predict costs associated with a potential infectious disease outbreak like COVID-19 such as operational costs to clean, sanitize and maintain facilities, or costs to operate remotely and support Borough functions and critical government actions during an outbreak, or any resulting impact such costs could have on Borough operations. The degree of any such impact to the Borough operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 pandemic, including uncertainties relating to its (i) duration and (ii) severity, as well as with regard to what additional actions may be taken by governmental and other health care authorities to manage the COVID-19 pandemic.

The American Rescue Plan Act of 2021, H.R. 1319 (the "Plan"), signed into law by President Biden on March 12, 2021, comprises \$1.9 trillion in relief designed to provide funding to address the COVID-19 pandemic and alleviate the economic and health effects of the COVID-19 pandemic.

The Plan includes various forms of financial relief including up to \$1,400 increase in direct stimulus payments and various other forms of economic relief, including extended unemployment benefits, continued eviction and foreclosure moratoriums, an increase in the child tax credit, an increase in food and housing aid, assistance grants to restaurants and bars, and other small business grants and loans. The Plan provides funding for state and local governments to offset costs to safely reopen schools during the COVID-19 pandemic and to subsidize COVID-19 testing

and vaccination programs. In addition, the Plan includes \$350 billion in relief funds to public entities, such as the Borough.

Based on available information as of May 31, 2021, the Borough is expected to receive approximately \$897,010 from the Plan. Such funds are expected to be received in two equal payments, one within 60 days of enactment of the Plan and the balance no earlier than 12 months from the initial payment. The deadline to spend the funds is December 31, 2024. Generally, according to the Plan, the allowable use of the funds to be provided to the Borough include the following categories: (a) to respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality; (b) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the Borough that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work; (c) for the provision of government services to the extent of the reduction in revenue due to the public health emergency relative to revenues collected in the most recent full fiscal year of the Borough prior to the emergency; and (d) to make necessary investments in water, sewer or broadband infrastructure. As of the date hereof, the Borough has not determined how it will spend the funds to be received.

## **MUNICIPAL FINANCE – FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES**

### **Local Bond Law (N.J.S.A. 40A:2-1 et seq.)**

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of the Borough for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3½% of its average equalized valuation basis. The average for the last three years of the equalized value of all taxable real property and improvements and certain Class II railroad property within the boundaries of Borough, as annually determined by the State Director of Taxation, is \$2,329,082,767.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating. As of December 31, 2020 (Unaudited), after taking into account the deductions referred to in the prior paragraph, the statutory net debt of the Borough as a percentage of average equalized valuation was 0.537%.

The Borough may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency, and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the Borough may apply to the Local

Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the Borough or substantially reduce the ability of the Borough to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by the Borough to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

The Borough may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. Bond anticipation notes for capital improvements may be issued in an aggregate amount not exceeding the amount specified in the ordinance creating such capital expenditure, as it may be amended and supplemented. A local unit's bond anticipation notes may be issued for periods not greater than one year. Generally, bond anticipation notes may not be outstanding for longer than ten years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus 4 months (May 1) in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum amount required for the first year's principal payment for a bond issue.

#### **Local Budget Law (N.J.S.A. 40A:4-1 et seq.)**

The foundation of the New Jersey local finance system is the annual cash basis budget. Every local unit must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "*Division*"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the Director of the Division (the "*Director*") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations.

The local unit is authorized to issue Emergency Notes and Special Emergency Notes pursuant to the Local Budget Law.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, *i.e.*, the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in an amount in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by December 31 of that year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of a local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget.

The exceptions are certain enumerated quasi-capital projects ("*special emergencies*") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three years, and tax map preparation, re-evaluation programs, revision and codification of ordinances, master plan preparation, drainage map preparation for flood control purposes and contractually required severance liabilities, which may be amortized over five years. Of course, emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAP" appropriations nor can transfers be made between excluded from "CAP" appropriations.

Under legislation recently enacted to address the COVID-19 pandemic, P.L. 2020, c. 60 (A4175), a municipality may adopt an emergency appropriation to fund certain deficits resulting from COVID-19 with approval of the Director of the Division of Local Government Services and may either fund it as a deferred charge or issue special emergency notes to fund it payable by 1/5 each year beginning in the year after the year in which the deferred charge appears in the financial statements so it is paid off no later than the last day of the sixth fiscal year following the end of the fiscal year in which the application is made. If there is a showing of fiscal distress, that may be extended to ten years. The Director may also promulgate guidelines modifying the standard for anticipated revenues when the amount realized in cash from the same source during the next preceding fiscal year experienced reductions due to COVID-19. Also, local units may be able to issue refunding bonds with Local Finance Board approval to repay a Federal Management Agency Community Disaster Loan.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 *et seq.*) imposes limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate". The "*Index Rate*" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year's tax levy in years when the Index Rate is 2.5% or less.

Additionally, legislation constituting P.L. 2010, c. 44, approved July 13, 2010 limits tax levy increases for those local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the "Cap Law" limits the obligation of the Borough to levy *ad valorem* taxes upon all taxable property within the Borough to pay debt service on its bonds or notes, including the Bonds.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the six years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

## **Tax Assessment and Collection Procedure**

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the result of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners. But it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values. A re-evaluation of all property in the Borough was last completed in 2013.

Upon the filing of certified adopted budgets by the Borough's local school district and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A.

54:4-1 *et seq.* Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June by the Borough. The taxes are due August 1 and November 1, respectively, and are adjusted to reflect the current calendar year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding year are based upon one-half of the current year's total tax

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first \$1,500.00 of the delinquency and 18% per annum on any amount in excess of \$1,500.00. These interest rates and penalties are the highest permitted under New Jersey Statutes. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with New Jersey statutes.

### **Tax Appeals**

The New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the Borough must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Tax Board on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement and any losses in tax collections from prior years are charged directly to operations.

### **Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 *et seq.*)**

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the report, together with all recommendations made, and must be published in a local newspaper within 30 days of its submission. The entire annual audit report for the year ended December 31, 2019 for the Borough is on file with the Clerk and is available for review during business hours.

## **TAX MATTERS**

### **Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes**

The Internal Revenue Code of 1986, as amended (the "*Code*"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Borough to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Borough will make certain representations in its Arbitrage and Tax Certificate, which will be executed on the date of



issuance of the Bonds, as to various tax requirements. The Borough has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause interest on the Bonds to lose the exclusion from gross income under Section 103 of the Code. Bond Counsel (as defined herein) will rely upon the representations made in the Arbitrage and Tax Certificate and will assume continuing compliance by the Borough with the above covenants in rendering its federal income tax opinions with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for the purposes of alternative minimum tax.

Assuming the Borough observes its covenants with respect to compliance with the Code, McManimon, Scotland & Baumann, LLC ("*Bond Counsel*") is of the opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code, and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax. The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("*IRS*") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and enforcement of the Code or those regulations by the IRS.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Borough or the owners of the Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Borough as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including, but not limited to, selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Bonds.

Payments of interest on tax-exempt obligations, including the Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

### **Original Issue Discount**

Certain maturities of the Bonds may be sold at an initial offering price less than the principal amount payable on such Bonds at maturity (the "*Discount Bonds*"). The difference between the initial public offering price of the Discount Bonds at which a substantial amount of each of the Discount Bonds was sold and the principal amount payable at maturity of each of the Discount Bonds constitutes the original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, the original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a

Discount Bond acquired at the initial public offering price of the Discount Bonds will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

### **Original Issue Premium**

Certain maturities of the Bonds may be sold at an initial offering price in excess of the amount payable at the maturity date (the "*Premium Bonds*"). The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, as stock-in-trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bonds under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium that will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

### **Bank-Qualification**

The Bonds **will** be designated as qualified under Section 265 of the Code by the Borough for an exemption from the denial of deduction for interest paid by financial institutions to purchase or to carry tax-exempt obligations.

The Code denies the interest deduction for certain indebtedness incurred by banks, thrift institutions and other financial institutions to purchase or to carry tax-exempt obligations. The denial to such institutions of one hundred percent (100%) of the deduction for interest paid on funds allocable to tax-exempt obligations applies to those tax-exempt obligations acquired by such institutions after August 7, 1986. For certain issues, which are eligible to be designated and which are designated by the issuer as qualified under Section 265 of the Code, eighty percent (80%) of such interest may be deducted as a business expense by such institutions.

### **Additional Federal Income Tax Consequences of Holding the Bonds**

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the Bonds from gross income pursuant to

Section 103 of the Code and interest on the Bonds not constituting an item of tax preference under Section 57 of the Code. Prospective purchasers of the Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the Bonds.

### **Changes in Federal Tax Law Regarding the Bonds**

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State of New Jersey. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax status of interest on the Bonds or the market value or marketability of the Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax) or repeal (or reduction in the benefit) of the exclusion of interest on the Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

### **State Taxation**

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act.

THE OPINIONS EXPRESSED BY BOND COUNSEL WITH RESPECT TO THE BONDS ARE BASED UPON EXISTING LAWS AND REGULATIONS AS INTERPRETED BY RELEVANT JUDICIAL DECISIONS AND REGULATORY CHANGES AS OF THE DATE OF ISSUANCE OF THE BONDS, AND BOND COUNSEL HAS EXPRESSED NO OPINION WITH RESPECT TO ANY LEGISLATION, REGULATORY CHANGES OR LITIGATION ENACTED, ADOPTED OR DECIDED SUBSEQUENT THERETO. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

### **LITIGATION**

To the knowledge of the Borough Attorney, Joseph Voytus, Esq., Ridgefield Park, New Jersey, there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or delivery of the Bonds, or the levy or collection of any taxes to pay the principal of or interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or collection of taxes, or contesting the corporate existence or boundaries of the Borough or the title of any of the present officers. Moreover, to the knowledge of the Borough Attorney, no litigation is presently pending or threatened that, in the opinion of the Borough Attorney, would have a material adverse impact on the financial condition of the Borough if adversely decided.

### **SECONDARY MARKET DISCLOSURE**

The Borough, pursuant to the Bond Resolution, has covenanted for the benefit of the Bondholders and the beneficial owners of the Bonds to provide certain secondary market disclosure information pursuant to the Securities and Exchange Commission Rule 15c2-12 (the

"Rule"). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Borough will:

(a) On or prior to September 30 of each year, beginning September 30, 2022, electronically to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system or such other repository designated by the Securities and Exchange Commission to be an authorized repository for filing secondary market disclosure information, if any, annual financial information with respect to the Borough consisting of the audited financial statements (or unaudited financial statements if audited financial statements are not then available, which audited financial statements will be delivered when and if available) of the Borough and certain financial information and operating data consisting of (i) the Borough indebtedness, (ii) the Borough's property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law.

(b) In a timely manner not in excess of ten business days after the occurrence of the event, to EMMA, notice of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of Bondholders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Borough;
- (13) The consummation of a merger, consolidation or acquisition involving the Borough or the sale of all or substantially all of the assets of the Borough, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the Borough, if material, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification of terms or other similar events under a Financial Obligation of the Borough, if any such event reflects financial difficulties.

The term "*Financial Obligation*" as used in subparagraphs (b)(15) and (b)(16) above means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of (i) or (ii); *provided, however*, that the term "*Financial Obligation*" shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

(c) In a timely manner to the EMMA, notice of failure of the Borough to provide required annual financial information on or before the date specified in the Bond Resolution.

In the event that the Borough fails to comply with the above-described undertaking and covenants, the Borough shall not be liable for any monetary damages, remedy of the beneficial owners of the Bonds being specifically limited in the undertaking to specific performance of the covenants.

The undertaking may be amended by the Borough from time to time, without the consent of the Bondholders or the beneficial owners of the Bonds, in order to make modifications required in connection with a change in legal requirements or change in law, which in the opinion of nationally recognized bond counsel complies with the Rule.

There can be no assurance that there will be a secondary market for the sale or purchase of the Bonds. Such factors as prevailing market conditions, financial condition or market position of firms who may make the secondary market and the financial condition of the Borough may affect the future liquidity of the Bonds.

The Borough has previously entered into continuing disclosure undertakings under the Rule. The Borough appointed Phoenix Advisors, LLC, Bordentown, New Jersey in April of 2016 to act as Continuing Disclosure Agent to assist in the filing of certain information on EMMA as required under its obligations.

## **MUNICIPAL BANKRUPTCY**

The undertakings of the Borough should be considered with reference to Chapter IX of the Bankruptcy Act, 11 U.S.C. Section 901 *et seq.*, as amended by Public Law 94-260, approved April 8, 1976, and as further amended on November 6, 1978 by the Bankruptcy Reform Act of 1978, effective October 1, 1979, as further amended by Public Law 100-597, effective November 3, 1988, and as further amended and other bankruptcy laws affecting creditor's rights and municipalities in general. The amendments of P.L. 94-260 replace former Chapter IX and permit the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to file a petition in a court of bankruptcy for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under said chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants priority to debt owed for services or material actually provided within three months of the filing of the petition; directs a petitioner to file a plan for the adjustment of its debts; and provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds in amount or more than one-half in number of the listed creditors. The 1976 Amendments were incorporated into the Bankruptcy Reform Act of 1978 with only minor changes.

Reference should also be made to N.J.S.A. 52:27-40 *et seq.*, which provides that a municipality has the power to file a petition in bankruptcy provided the approval of the Municipal

Finance Commission has been obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board. The Bankruptcy Act specifically provides that Chapter IX does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Act.

### **APPROVAL OF LEGAL PROCEEDINGS**

All legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, Bond Counsel to the Borough, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C. Certain legal matters will be passed upon for the Borough by its Borough Attorney, Joseph Voytus, Esq., Ridgefield Park, New Jersey.

### **UNDERWRITING**

The Bonds have been purchased from the Borough at a public sale by Roosevelt & Cross, Inc. and Associates (the "*Underwriter*") at a price of \$6,467,357.06 (the "Purchase Price"). The Purchase Price reflects the par amount of the Bonds in the amount of \$6,160,000, plus a bid premium in the amount of \$307,357.06. The Underwriter has purchased the Bonds in accordance with the Notice of Sale. The Bonds are being offered for sale at the yields set forth on the inside front cover of this Official Statement.

### **RATING**

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "*Rating Agency*"), has assigned a rating of "AAA" to the Bonds based upon the creditworthiness of the Borough. The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. There can be no assurance that the rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

### **PREPARATION OF OFFICIAL STATEMENT**

The Borough hereby states that the descriptions and statements herein, including financial statements, are true and correct in all material respects and it will confirm to the Underwriter, by certificates signed by the Chief Financial Officer of the Borough, that to such officer's knowledge such descriptions and statements, as of the date of this Official Statement, are true and correct in all material respects and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

Lerch, Vinci & Higgins, LLP takes responsibility for the financial statements to the extent specified in their Accountant's Compilation Report and Independent Auditor's Report.

All other information has been obtained from sources that the Borough considers to be reliable, and it makes no warranty, guaranty or other representation with respect to the accuracy and completeness of such information.

McManimon, Scotland & Baumann, LLC has not participated in the preparation of the financial or statistical information contained in this Official Statement nor has it verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

#### **MUNICIPAL ADVISOR**

Phoenix Advisors, LLC, Bordentown, New Jersey, has served as municipal advisor to the Borough with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is a municipal advisory firm, and is not engaged in the business of underwriting, marketing or trading municipal securities or any other negotiable instrument.

#### **ADDITIONAL INFORMATION**

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to Kenneth Sesholtz, the Borough's Chief Financial Officer, at 12 Mercedes Drive, Montvale, 07645, telephone (201) 391-9317, or by email [cfo@montvaleboro.org](mailto:cfo@montvaleboro.org).

#### **MISCELLANEOUS**

This Official Statement is not to be construed as a contract or agreement among the Borough, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs (financial or otherwise) of the Borough since the date hereof. The information contained in the Official Statement is not guaranteed as to accuracy or completeness.

#### **BOROUGH OF MONTVALE**

By: /s/ Kenneth Sesholtz  
Kenneth Sesholtz  
Chief Financial Officer

Dated: July 28, 2021

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## **APPENDIX A**

### **CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE BOROUGH OF MONTVALE**

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## **GENERAL INFORMATION**

### **Size and Geographical Location**

The Borough of Montvale (the “Borough”) is a small borough, approximately 4 square miles and home to many national and regional corporations. It is ideally situated in the picturesque Pascack Valley of North-Eastern Bergen County, bordering on New York State. Neighboring communities include the Boroughs of Park Ridge, Upper Saddle River, Woodcliff Lake and River Vale. The Borough is within minutes of most of the main transportation corridors in the northeast, with an entrance off the Garden State Parkway, and a thirty-minute ride to New York City.

The Borough’s ideal location allows its residents to enjoy a high quality of life with fine schools, recreation, restaurants and cultural activities all in close proximity. Several large hospitals are located near the Borough, including Hackensack University Medical Center at Pascack Valley, Hackensack University Medical Center, Holy Name Hospital, Valley Hospital and Englewood Hospital. The Woodcliff Lake Hilton, Park Ridge Marriott and Pearl River Hilton are just a few of the fine hotels servicing the Borough and neighboring communities. Many large shopping centers such as Tice’s Corner, Paramus Park Mall, Garden State Plaza, The Shops at Riverside and Bergen Town Center in New Jersey and Palisades Center and Woodbury Commons in New York are only a short drive away. Located within the Borough are the Shoppes at DePiero’s Farm.

### **Form of Government**

The Borough was chartered in 1894 as a Borough Council form of government in which the mayor is elected to a four-year term and six council persons are elected at large to serve staggered three-year terms.

The Mayor and Council meet every second Tuesday of the month for regular meetings and the last Tuesday of the month for executive sessions. Meetings are open to the public in compliance with New Jersey’s Open Public Meetings Act. Residents are given the opportunity to speak on proposed ordinances and other matters of concern at both meetings. The first meeting of each month is televised and shown on the local cable television access channel.

The Borough Administrator is appointed by the Borough Council and is responsible for the implementation of policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the chief administrative officer for the Borough.

The Mayor is the chief executive officer of the Borough and as such presides over all public meetings, provides leadership in the development of community projects and makes appointment to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor’s appointments, and all executive authority which is not specifically provided to the Mayor, by State law.

### **Business and Economic Development**

The Borough is home to a diverse business community. There are over 600 business and commercial establishments ranging from local merchants to some of the most prestigious national corporations. Some of the larger companies located in the Borough include Benjamin Moore & Co., KPMG LLP, Pentax Precision Instrument Corp., Reckitt Benckisner, Boasteel, Sharp Electronics, Memorial Sloan Kettering Cancer Center, The Shoppes at DiPiero’s Farm, Flight Centre and Western Union.

New Jersey Monthly Magazine rated Montvale #7 in the State of New Jersey for people to live.

One of the reasons the Borough is considered the “Pride of Pascack Valley” is the orderly development and co-existence of its residential and corporate communities. Through careful planning and zoning efforts exercised since the 1960’s, the municipality has achieved a balanced environment providing quality living, employment opportunities, recreational facilities and infrastructure, while maintaining one of the lowest effective tax rates in the valley. The Borough’s residential and business communities work together, as they have for over thirty years, to ensure the Borough’s continued growth and development.

## **Transportation**

The Borough's location makes it an ideal area for corporations and residents. The Borough is strategically located only minutes away by automobile or mass transportation from New York City, Rockland and Westchester Counties in New York State and all parts of New Jersey.

The Garden State Parkway has an exit and entrance in the Borough and has expanded its commuter park and ride service to New York City via bus service. Rail passenger service is provided by New Jersey Transit's Pascack Valley Line which runs through Montvale and other Bergen County communities, terminating in Hoboken where other convenient connections can be made via PATH to New York City, Newark and Jersey City.

There are many major interstate and local highways minutes away from the Borough in addition to the Garden State Parkway, including the New Jersey Turnpike, the New York State Thruway, Interstate Highways No. 80 and 287, the Palisades Interstate Parkway and State Highways No. 17 and No. 4.

## **Recreation**

The Borough has an active year-round community recreation program. It is administered by a Recreation Committee and part-time Recreation Director. The Recreation Committee offers a broad, diversified program of recreation activities.

The Borough has playgrounds, a Conservation Walking Path and four parks encompassing 32 acres of land. The parks offer both passive and active recreational opportunities including tennis, basketball, softball, soccer and two playgrounds.

The Montvale Athletic League provides programs for youth including baseball, softball, soccer, football and cheerleading. This all-volunteer organization is administered by a Board of Directors.

The Montvale Senior Club, organized in 1980, has over 100 members who actively engage in various social activities, trips and luncheons. The Club meets twice a month.

The Borough also enjoys the recreation opportunities including the Montvale Lanes, which offers league bowling and Lifetime Fitness and The Gym offering various exercise memberships.

## **Library**

The Montvale Free Public Library was founded in 1975 and is housed in the Montvale Borough Hall building at 12 Mercedes Drive. Montvale Library cards may access materials from over 72 libraries belonging to the Bergen County Cooperative Library System. The Library offers lectures, workshops, book discussions and other activities to the public. It also offers opportunities to children through special programs and to those with reading difficulties to develop an interest in using the Library and its resources. Presently there are three full-time professionals including a Library Director, a Librarian, and a Coordinator of Children's Services staffing the Library in addition to several part-time staff and volunteers, who work under the guidance of the Library Board of Trustees.

## **Public Safety**

The Borough is served by a Police Department consisting of 22 police officers, including 2 lieutenants, 2 detectives and operates 6 marked police cars and 3 unmarked police cars, as well as two traffic units and one community response unit. The department has an outstanding record for law enforcement and has one of the lowest crime rates in the area. In addition to law enforcement the Police Department is actively involved in several school programs.

The Borough's Volunteer Fire Department consists of 50 volunteer members who are under the direction of the Fire Chief. The central fire headquarters houses 2 pumpers, 1 ladder truck, and 1 rescue/pumper, all with the latest fire fighting equipment and 2 chief's vehicles.

A direct control alarm system links each firefighter through a centralized dispatch system insuring immediate response. Each firefighter receives initial training at the Bergen County Fire Academy and keeps up their skills by participating in two drills a month. The surrounding fire departments of Pearl River, Park Ridge and Woodcliff Lake cooperate in mutual aid systems. The Borough enjoys one of the best insurance ratings in the area. A Borough-wide fire hydrant system is maintained by United Water of New Jersey.

Free ambulance and rescue service is provided to the public on a 24 hour a day basis by the Tri-Borough Ambulance Corps that services the Boroughs of Montvale, Park Ridge and Woodcliff Lake.

The dispatch function for all emergency services is provided on a regionalized basis by the Tri-Borough Public Safety System covering the three communities of Montvale, Park Ridge and Woodcliff Lake. The inter-local service has been in operation for over fifty years.

## **Sanitation**

The Borough provides garbage collection for all homes on a twice-weekly basis. Recycling pick-up is provided for all homes on a twice-monthly basis. The Borough contracts with a private scavenger for these services.

The Borough is a participant in the Bergen County Utilities Authority which provides sewerage treatment for the entire municipality. For this service the Borough pays an annual service charge based on the metered flow of sewerage. This service charge is part of the general property tax levy.

## **Utilities**

Electricity is supplied by Orange & Rockland and Hess and gas is supplied by Public Service Electric & Gas Company. Water is supplied to the Borough by Suez Water.

## **Education**

The Borough's local school district, coterminous with the Borough, is a type II school district, and is an independent legal entity administered by a five member Board of Education elected by the voters of the school district. The school district is authorized by law to issue debt for school purposes upon vote of the electorate. The local school district provides for Kindergarten through 8<sup>th</sup> grade and is comprised of one elementary school and one middle school. The Borough is also a member of the Pascack Valley Regional High School District (grades 9 through 12) which consists of high school students residing in the Boroughs of Hillsdale, Montvale and Woodcliff Lake and the Township of River Vale and is comprised of two high schools.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### Labor Force, Employment and Unemployment

The New Jersey Department of Labor reported the following annual average employment information for the Borough of Montvale, the County of Bergen and the State of New Jersey:

	<b><u>Total Labor Force</u></b>	<b><u>Employed Labor Force</u></b>	<b><u>Total Unemployed</u></b>	<b><u>Unemployment Rate</u></b>
<u>Borough of Montvale</u>				
2020	3,975	3,653	322	8.1%
2019	4,078	3,981	97	2.4%
2018	4,016	3,895	121	3.0%
2017	4,017	3,869	148	3.7%
2016	3,999	3,839	160	4.0%
<u>County of Bergen</u>				
2020	477,892	432,189	45,703	9.6%
2019	484,575	470,940	13,635	2.8%
2018	477,023	461,356	15,667	3.3%
2017	483,324	464,527	18,797	3.9%
2016	484,167	463,988	20,179	4.2%
<u>State of New Jersey</u>				
2020	4,495,200	4,055,300	439,900	9.8%
2019	4,522,200	4,367,300	154,900	3.4%
2018	4,455,500	4,278,300	177,200	4.0%
2017	4,518,800	4,309,700	209,100	4.6%
2016	4,524,200	4,299,900	224,300	5.0%

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Source: New Jersey Department of Labor, Division of Labor Market and Demographic Research

## Population

Population trends for the Borough, County and the State of New Jersey since 1980 are shown below:

<b><u>Area</u></b>	<b><u>1980</u></b>	<b><u>1990</u></b>	<b><u>2000</u></b>	<b><u>2010</u></b>	<b><u>2020</u></b>
Borough of Montvale	7,318	6,946	7,034	7,844	8,580
County of Bergen	845,385	825,380	884,118	905,116	930,394
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	8,882,371

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Source: New Jersey Department of Labor, Division of Labor Market and Demographic Research

## Income as of 2016

	<b><u>Median Household Income</u></b>	<b><u>Median Family Income</u></b>	<b><u>Per Capita Income</u></b>
Borough of Montvale	\$ 146,708	\$ 163,886	\$ 67,537
County of Bergen	101,144	122,981	51,214
State of New Jersey	82,545	102,260	42,745

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Source: U.S. Census Bureau, 2015 – 2019 American Community Survey – 5 Year Estimates

## DEBT INFORMATION

### Debt Statements

The Borough must report all new authorizations of debt or changes in previously authorized debt to the Division of Local Government Services, Department of Community Affairs of the State of New Jersey (the "Division"). The Supplemental Debt Statement, as this report is known, must be submitted to the Division before final passage of any debt authorization. Before January 31 of each year the Borough must file an Annual Debt Statement with the Division. This report is made under oath and states the authorized, issued and unissued debt of the Borough as of the previous December 31. Through the Annual and Supplemental Debt Statements, the Division monitors all local borrowing.

### Debt Incurring Capacity As of December 31, 2020 (Unaudited)

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 2,329,082,767
3 1/2% Borrowing Margin	81,517,897
Net Debt Issued, Outstanding and Authorized	12,511,130
Remaining Municipal Borrowing Capacity	69,006,767
Regional School	
3% Borrowing Margin	69,872,483
Debt, Issued, Outstanding and Authorized	3,954,903
Remaining School Borrowing Capacity	65,917,580
Local School	
3% Borrowing Margin	69,872,483
Debt, Issued, Outstanding and Authorized	1,284,640
Remaining School Borrowing Capacity	68,587,843

Source: Borough of Montvale 2020 Annual Debt Statement

### Gross and Statutory Net Debt as of December 31,

<u>Year</u>	<u>Gross Debt Amount</u>	<u>Statutory Net Debt</u>	
		<u>Amount</u>	<u>Percentage</u>
2020 (Unaudited)	\$ 18,115,793	\$ 12,511,130	0.537%
2019	18,172,198	11,861,770	0.513%
2018	18,140,495	10,925,520	0.478%
2017	19,412,038	11,364,520	0.504%
2016	20,041,539	11,259,941	0.506%

Source: Borough of Montvale Annual Audit Reports and 2020 Annual Debt Statement



**Statement of Indebtedness**  
**As of December 31, 2020 (Unaudited)**

**GENERAL PURPOSES**

Bonds Issued and Outstanding	\$ 8,350,000	
Bond Anticipation Notes	4,500,000	
Bonds and Notes Authorized But Not Issued	<u>26,250</u>	
		\$ 12,876,250

**REGIONAL SCHOOL**

Bonds Issued and Outstanding		3,954,903
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**LOCAL SCHOOL**

Bonds Issued, Outstanding and Authorized		<u>1,284,640</u>
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TOTAL GROSS DEBT 18,115,793

**STATUTORY DEDUCTIONS**

Municipal Purpose	365,120	
Regional School	3,954,903	
Local School	<u>1,284,640</u>	
		<u>5,604,663</u>

TOTAL NET DEBT \$ 12,511,130

**OVERLAPPING DEBT**

County of Bergen (Note 1)	11,865,470
Bergen County Utilities Authority (2)	<u>1,421,888</u>

TOTAL OVERLAPPING DEBT \$ 13,287,358

**GROSS DEBT**

Per Capita (2020 - 8,580)	\$ 2,111
Percent of Net Valuation Taxable (2020 - \$2,046,183,586)	0.89%
Percent of Estimated True Value of Real Property (2020 - \$2,388,274,297)	0.76%

**NET MUNICIPAL DEBT**

Per Capita (2020 - 8,580)	\$ 1,458
Percent of Net Valuation Taxable (2020 - \$2,046,183,586)	0.61%
Percent of Estimated True Value of Real Property (2020 - \$2,388,274,297)	0.52%

**OVERALL DEBT (Net and Overlapping Debt)**

Per Capita (2020 - 8,580)	\$ 3,007
Percent of Net Valuation Taxable (2020 - \$2,046,183,586)	1.26%
Percent of Estimated True Value of Real Property (2020 - \$2,388,274,297)	1.08%

Note (1) Overlapping debt was computed based upon the real property ratio of equalized valuations of the municipality to all municipalities within the County as provided in the 2020 Bergen County Abstract of Ratables published by the Bergen County Board of Taxation.

Note (2) Overlapping debt was computed based upon usage.

Source: Borough of Montvale 2020 Annual Debt Statement

## BUDGET INFORMATION

### Current Fund (As Adopted)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Anticipated Revenues					
Fund Balance	\$ 3,650,000	\$ 4,100,000	\$ 4,250,000	\$ 4,175,000	\$ 4,075,000
Miscellaneous Revenues	3,343,373	3,307,804	3,007,426	3,398,820	3,222,960
Receipts from Delinquent Taxes	200,000	200,000	220,000	215,000	175,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>12,809,824</u>	<u>12,137,762</u>	<u>12,152,641</u>	<u>12,286,473</u>	<u>12,226,595</u>
	<u>\$ 20,003,197</u>	<u>\$ 19,745,566</u>	<u>\$ 19,630,067</u>	<u>\$ 20,075,293</u>	<u>\$ 19,699,555</u>
Appropriations					
Salaries and Wages	\$ 5,886,420	\$ 5,632,382	\$ 5,392,350	\$ 5,226,885	\$ 4,911,105
Other Expenses	9,173,618	9,112,239	9,012,130	9,177,906	9,350,911
Deferred Charges and Statutory Expenditures	1,358,767	1,279,470	1,268,157	1,532,691	1,030,512
Capital Improvement Fund	310,000	324,050	465,538	553,000	876,093
Municipal Debt Service	1,599,650	1,627,025	1,776,825	1,901,902	1,867,955
Reserve for Uncollected Taxes	<u>1,674,742</u>	<u>1,770,400</u>	<u>1,715,067</u>	<u>1,682,909</u>	<u>1,662,979</u>
	<u>\$ 20,003,197</u>	<u>\$ 19,745,566</u>	<u>\$ 19,630,067</u>	<u>\$ 20,075,293</u>	<u>\$ 19,699,555</u>

Source: Borough of Montvale Adopted Municipal Budgets

## FINANCIAL INFORMATION

### Current Fund Balance and Amounts Utilized in Succeeding Year's Budget

<u>Year</u>	<u>Fund Balance December 31</u>	<u>Utilized in Budget of Succeeding Year</u>
2020 (Unaudited)	\$ 4,981,916	\$ 3,650,000
2019	4,713,174	4,100,000
2018	5,357,250	4,250,000
2017	5,768,520	4,175,000
2016	5,763,258	4,075,000

Source: Borough of Montvale Annual Audit Reports and 2020 Unaudited Annual Financial Statement

## Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2020 (Unaudited)	\$ 49,928,858	\$ 49,605,358	99.35%
2019	48,479,680	48,046,233	99.10%
2018	48,310,658	48,040,440	99.44%
2017	47,695,925	47,391,306	99.36%
2016	47,142,888	46,325,189	98.26%

Source: Borough of Montvale Annual Audit Reports and 2020 Unaudited Annual Financial Statement

## Delinquent Taxes and Tax Title Liens

<u>Year</u>	<u>Tax Title Liens</u>	<u>Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Levy</u>
2020 (Unaudited)	\$ 28,468	\$ 201,712	\$ 230,180	0.46%
2019	25,220	205,582	230,802	0.48%
2018	20,196	241,187	261,383	0.54%
2017	18,945	487,708	506,653	1.06%
2016	17,711	699,345	717,056	1.52%

Source: Borough of Montvale Annual Audit Reports and 2020 Unaudited Annual Financial Statement

## Assessed Valuation of Property Owned by the Borough Acquired for Taxes

<u>Year</u>	<u>Amount</u>
2020 (Unaudited)	\$ 29,400
2019	29,400
2018	29,400
2017	29,400
2016	29,400

Source: Borough of Montvale Annual Audit Reports and 2020 Unaudited Annual Financial Statement

## Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2021 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
KPMG Peat Marwick	\$ 47,550,000
Terraza 18, LLC	38,015,900
Montvale Development Group	36,993,600
Grand Prix Montvale	20,900,000
Nottingham Court LLC	17,653,000
Benjamin Moore & Co.	16,000,000
155 Montvale Partners, LLC	14,059,500
Summit Property 1 LLC	12,500,000
ND XXX LLC	11,900,000
UB Chestnut LLC	11,594,300
	<u>\$ 227,166,300</u>

Percentage of 2021 Net Valuation Taxable 11.03%

Source: Borough of Montvale Tax Assessor.

## Assessed Valuation

### Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Industrial</u>	<u>Total</u>
2021	\$ 80,115,200	\$ 1,500,465,800	\$ 1,947,600	\$ 463,003,670	\$ 20,953,000	\$ 10,892,500	\$ 2,077,377,770
2020	45,226,600	1,484,625,100	1,947,600	483,682,270	17,653,000	10,892,500	2,044,027,070
2019	30,535,900	1,469,209,600	1,947,600	511,254,470	17,653,000	10,892,500	2,041,493,070
2018	18,230,600	1,461,402,600	1,947,600	547,446,970	17,653,000	10,892,500	2,057,573,270
2017	36,648,700	1,429,329,000	1,957,100	541,543,970	17,653,000	11,044,100	2,038,175,870

Source: Borough of Montvale Tax Duplicate

## Assessed Valuations

### Net Valuation Taxable

<u>Year</u>	<u>Real Property</u>	<u>Business Personal Property</u>	<u>Net Valuation Taxable</u>	<u>Ratio of Assessed Value to True Value of Real Property</u>	<u>Total True Value of Assessed Property</u>
2021	\$ 2,077,377,770	\$ 2,196,919	\$ 2,079,574,689	87.58%	\$ 2,381,679,082
2020	2,044,027,070	2,156,516	2,046,183,586	85.93%	2,388,274,297
2019	2,041,493,070	2,188,152	2,043,681,222	90.34%	2,269,548,489
2018	2,057,573,270	2,188,152	2,059,761,422	89.03%	2,321,042,653
2017	2,038,175,870	2,242,777	2,040,418,647	89.01%	2,299,520,242

Source: Bergen County Abstract of Ratables and 2021 Equalization Table

**Components of Real Estate Tax Rate**  
(per \$100 of Assessment)

<u>Year</u>		<u>Total</u>		<u>Municipal</u>		<u>Local School</u>		<u>Regional School</u>		<u>County</u>
2020	\$	2.431	\$	0.598	\$	0.843	\$	0.701	\$	0.289
2019		2.363		0.599		0.821		0.676		0.267
2018		2.334		0.601		0.794		0.663		0.276
2017		2.303		0.604		0.772		0.656		0.271
2016		2.260		0.590		0.778		0.630		0.262

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Source: Borough of Montvale Annual Audit Reports and 2020 Unaudited Annual Financial Statement

**Apportionment of Tax Levy**  
(Including School and County Purposes)

<u>Year</u>		<u>Total</u>		<u>Municipal</u>		<u>Local School</u>		<u>Regional School</u>		<u>County</u>
2020	\$	49,655,858	\$	12,141,784	\$	17,245,537	\$	14,329,352	\$	5,939,185
2019		48,479,680		12,425,237		16,771,966		13,790,303		5,492,174
2018		48,066,253		12,389,461		16,349,965		13,637,934		5,688,893
2017		47,695,925		12,958,923		15,740,203		13,387,934		5,608,865
2016		47,142,888		13,015,787		15,838,446		12,827,679		5,460,976

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Source: Borough of Montvale Annual Audit Reports and Tax Collector

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**APPENDIX B**

**ACCOUNTANT'S COMPILATION REPORT,  
INDEPENDENT AUDITORS REPORT  
AND FINANCIAL STATEMENT**

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**UNAUDITED FINANCIAL DATA OF THE BOROUGH OF MONTVALE  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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# 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  
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DEBRA GOLLE, CPA  
MARK SACO, CPA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA  
CHRISTOPHER M. VINCI, CPA  
CHRISTINA CUIFFO, CPA

## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

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

Management is responsible for the accompanying balance sheets – regulatory basis of the various funds and account group of the Borough of Montvale, as of December 31, 2020 and the related statements of operations and changes in fund balances – regulatory basis, the statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year then ended in accordance with the regulatory basis of accounting. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements – regulatory basis nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The Borough of Montvale has prepared these financial statements in accordance with the financial and accounting reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities. The effect on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

Management has elected to omit substantially all the disclosures ordinarily included in financial statements prepared in accordance with the regulatory basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Borough's assets, liabilities, fund balances, revenues and expenditures. Accordingly, the financial statements are not designed for those who are not informed about such matters.

By/s/

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

Fair Lawn, New Jersey  
June 30, 2020

**BOROUGH OF MONTVALE  
BALANCE SHEET - REGULATORY BASIS  
CURRENT FUND  
AS OF DECEMBER 31, 2020 (UNAUDITED)**

	<u>2020</u>
<b>ASSETS</b>	
Cash	\$ 8,484,044
Grants Receivable	<u>357,780</u>
	<u>8,841,824</u>
Receivables and Other Assets with Full Reserves:	
Delinquent Property Taxes Receivable	201,712
Tax Title Liens Receivable	28,468
Property Acquired for Taxes at Assessed Valuation	29,400
Revenue Accounts Receivable	90,589
Due from Animal Control Fund	4,786
Due from Other Trust Fund	<u>6,778</u>
	<u>361,733</u>
Deferred Charges	
Special Emergency Authorizations	<u>320,000</u>
	<u>320,000</u>
 Total Assets	 <u>\$ 9,523,557</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>	
Appropriation Reserves	\$ 1,030,895
Encumbrances Payable	960,378
Accounts Payable	194,411
Due to Length of Service Award Program Fund	18,900
Prepaid Taxes	529,722
County Taxes Payable - Added and Omitted Taxes	22,098
Prepaid Revenues - Sewer Fees	46,923
Due to State of New Jersey Senior Citizens' and Veterans' Deductions	11,096
Fees Payable	9,634
Reserve for Tax Appeals	769,334
Miscellaneous Reserves	386,092
Reserve for Grants:	
Unappropriated	195,062
Appropriated	<u>5,363</u>
	4,179,908
Reserve for Receivables	361,733
Fund Balance	<u>4,981,916</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 9,523,557</u>

**BOROUGH OF MONTVALE**  
**STATEMENT OF OPERATIONS AND CHANGE IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>2020</u>
REVENUE AND OTHER INCOME REALIZED	
Fund Balance Utilized	\$ 4,100,000
Miscellaneous Revenue Anticipated	3,334,836
Receipts from Delinquent Tax	205,012
Receipts from Current Taxes	49,605,358
Non-Budget Revenue	868,414
Other Credits to Income	
Unexpended Balance of Appropriation Reserves	1,070,475
Special Emergency Authorization - Covid-19	320,000
Accounts Payable Cancelled	187,128
Appropriated Grant Reserves Cancelled	9,876
Tax Appeal Reserves Cancelled	250,000
Voided Old Outstanding Checks	1,626
Prior Year Interfunds Returned	<u>147,925</u>
Total Income	<u>60,100,650</u>
EXPENDITURES	
Budget Appropriations	
Operations	
Salaries and Wages	5,671,132
Other Expenses	9,190,518
Deferred Charges and Statutory Expenditures -	
Municipal	1,279,470
Capital Improvements	324,050
Municipal Debt Service	1,627,025
County Taxes Payable	5,917,087
Due County for Added Taxes	22,098
Local District School Taxes Payable	17,245,537
Regional High School Tax Payable	14,329,352
Municipal Open Space Taxes	102,692
Cancellation of Grants Recievable	6,372
Refund Prior Year Revenue	5,011
Interfund Advances Originating	<u>11,564</u>
Total Expenditures	<u>55,731,908</u>
Excess in Revenue	4,368,742
Fund Balance, January 1	<u>4,713,174</u>
	9,081,916
Decreased by:	
Utilization as Anticipated Revenue	<u>4,100,000</u>
Fund Balance, December 31	<u>\$ 4,981,916</u>

**BOROUGH OF MONTVALE**  
**STATEMENT OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>Budget</u>	Added by NJSA <u>40A:4-87</u>	<u>Realized</u>	Excess or ( <u>Deficit</u> )
Surplus Anticipated	\$ 4,100,000	-	\$ 4,100,000	-
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	17,000		17,590	\$ 590
Other	47,000		44,945	(2,055)
Fees and Permits	220,000		127,251	(92,749)
Fines and Costs - Municipal Court	181,000		76,257	(104,743)
Interest and Costs on Taxes	63,000		67,682	4,682
Interest on Investments and Deposits	5,000		3,170	(1,830)
Uniform Fire Safety Act Local Enforcement				
Fees	116,000		121,659	5,659
Uniform Construction Code Fees	510,000		739,388	229,388
Energy Receipts Tax	1,262,378		1,262,378	-
Municipal Court Shared Service	200,984		182,051	(18,933)
Uniform Fire Safety Act - LEA Rebate	10,000		18,129	8,129
Cable TV Franchise Fees	129,744		129,744	-
Sewer Agreement - Marriott Corporation	26,772		26,772	-
Pascack Valley - Special Police Shared Service	170,392		169,411	(981)
Hotel/Motel Tax	188,000		82,096	(105,904)
Reserve for Field Maintenance	5,000		5,000	-
Sloan Kettering Contribution - Municipal Services	72,000		72,000	-
Clothing Bin Fees - American Recycling	12,000		750	(11,250)
General Capital Fund Balance (Surplus)	52,000		52,000	-
Public and Private Revenues Offset With				
Appropriations				-
Donation - Two Paragon Drive, LLC		100,000	100,000	-
Bullet Proof Vest - Federal	400		400	-
BCMJIF - Safety Incentive	1,750		1,750	-
Alcohol Education and Rehabilitation	723		723	-
Body Armor Grant - State Share	2,598		2,598	-
Clean Communities		17,029	17,029	-
Recycling Tonnage Grant	14,063	-	14,063	-
Total Miscellaneous Revenues	3,307,804	117,029	3,334,836	(89,997)
Receipts from Delinquent Taxes	200,000	-	205,012	5,012
Sub-Total General Revenues	7,607,804	117,029	7,639,848	(84,985)
Amount to be Raised by Taxes for Support of Municipal Budget				
Local Tax for Municipal Purposes	11,345,112		12,966,342	1,621,230
Minimum Library Tax	792,650	-	792,650	-
Total Amount to be Raised by Taxes	12,137,762	-	13,758,992	1,621,230
Total General Revenues	\$ 19,745,566	\$ 117,029	\$ 21,398,840	\$ 1,536,245

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	Balance <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Administrative and Executive					
Salaries and Wages	\$ 262,275	\$ 262,275	\$ 249,094	\$ 13,181	
Other Expenses	187,122	184,622	135,264	49,358	
Mayor and Council					
Salaries and Wages	54,408	54,408	51,558	2,850	
Other Expenses	28,100	28,100	10,264	17,836	
Borough Clerk					
Salaries and Wages	151,887	151,887	150,536	1,351	
Other Expenses	20,650	20,650	5,479	15,171	
Elections					
Salaries and Wages	2,500	2,500	1,028	1,472	
Other Expenses	10,300	10,300	7,358	2,942	
Financial Administration					
Salaries and Wages	211,010	213,510	212,637	873	
Other Expenses	26,300	31,300	20,761	10,539	
Audit Services					
Other Expenses	44,000	44,000	44,000	-	
Assessment of Taxes					
Salaries and Wages	37,662	37,662	37,662	-	
Other Expenses	37,200	37,200	21,705	15,495	
Collection of Taxes					
Salaries and Wages	67,000	67,000	66,983	17	
Other Expenses	22,800	22,800	18,646	4,154	
Legal Services and Costs					
Other Expenses	345,000	345,000	334,246	10,754	
Engineering Services and Costs					
Other Expenses	152,000	192,000	144,371	47,629	
Cable TV Committee					
Salaries and Wages	7,500	7,500	3,627	3,873	
Other Expenses	61,550	61,550	53,416	8,134	

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	Balance <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
GENERAL GOVERNMENT FUNCTIONS (Continued)					
Historic Preservation Commission					
Other Expenses	\$ 200	\$ 200	\$ 84	\$ 116	
Historian					
Other Expenses	50	50		50	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	96,200	99,200	95,991	3,209	
Other Expenses	133,750	83,250	27,982	55,268	
Zoning Official					
Salaries and Wages	9,685	10,685	10,560	125	
Code Enforcement and Administration					
Property Maintenance					
Salaries and Wages	3,528	4,028	3,903	125	
Insurance					
Life Insurance	2,913	2,913	2,826	87	
General Liability	239,041	239,041	227,693	11,348	
Workers Compensation	164,148	164,148	161,448	2,700	
Employee Group Health	708,132	673,132	595,550	77,582	
Employee Group Health -Waiver	72,550	72,550	60,467	12,083	
PUBLIC SAFETY FUNCTIONS					
Fire					
Other Expenses	160,050	160,050	143,436	16,614	
Fire Hydrant Service	210,000	200,000	184,020	15,980	
Police					
Salaries and Wages	3,755,103	3,755,103	3,742,733	12,370	
Other Expenses	226,400	226,400	223,409	2,991	
Purchase of Police Vehicles	75,000	75,000	74,705	295	
Police Dispatch					
Other Expenses	55,000	55,000	48,539	6,461	



**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Continued)					
First Aid Organization					
Other Expenses	\$ 34,000	\$ 34,000	\$ 28,102	\$ 5,898	
Emergency Management					
Salaries and Wages	10,185	10,185	10,185	-	
Other Expenses	12,100	12,100		12,100	
Uniform Fire Safety Act					
Salaries and Wages	90,829	96,829	96,333	496	
Other Expenses	8,900	8,900	8,898	2	
Prosecutor					
Other Expenses	14,280	14,280	13,770	510	
PUBLIC WORKS FUNCTIONS					
Road Repair and Maintenance					
Other Expenses	80,000	80,000	72,575	7,425	
Sewer System					
Other Expenses	100,000	85,000	56,000	29,000	
Snow Removal					
Other Expenses	50,000	50,000	50,000	-	
Garbage and Trash Removal					
Other Expenses	625,000	695,000	689,238	5,762	
Recycling					
Other Expenses	5,000	5,000		5,000	
Public Buildings and Grounds					
Salaries and Wages	29,347	32,097	31,847	250	
Other Expenses	205,814	193,064	146,282	46,782	
Maintenance of All Vehicles					
Other Expenses	55,000	55,000	29,042	25,958	
Municipal Services Act					
Other Expenses	19,000	19,000	12,833	6,167	
Stormwater Management					
Other Expenses	50,000	50,000	50,000	-	

**BOROUGH OF MONTVALE  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	Balance <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 2,950	\$ 3,950	\$ 3,355	\$ 595	
Other Expenses	77,400	76,400	69,285	7,115	
Environmental Commission					
Salaries and Wages	4,500	4,500	3,645	855	
Other Expenses	13,400	13,400	7,802	5,598	
Animal Regulation					
Other Expenses	13,000	13,000	10,740	2,260	
Administration of Public Assistance					
Salaries and Wages	7,179	7,179	7,179	-	
Other Expenses	450	450	303	147	
PARK AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Other Expenses	6,000	6,000	4,769	1,231	
Recreation Services and Programs					
Salaries and Wages	58,350	58,350	58,350	-	
Other Expenses	18,700	18,700	6,413	12,287	
Senior Citizen Van					
Salaries and Wages	17,000	17,000	12,065	4,935	
Senior Citizens					
Other Expenses	29,700	29,700	4,678	25,022	
Celebration of Public Events					
Other Expenses	35,000	10,000		10,000	
OTHER COMMON OPERATING FUNCTIONS					
PEOSHA Compliance					
Other Expenses	2,000	2,000		2,000	
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	121,114	121,114	107,919	13,195	
Other Expenses	14,450	14,450	7,552	6,898	

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
MUNICIPAL COURT FUNCTIONS (Continued)					
Public Defender					
Other Expenses	\$ 5,100	\$ 5,100	\$ 3,825	\$ 1,275	
STATE UNIFORM CONSTRUCTION CODE					
Construction Code Officials					
Salaries and Wages	231,000	248,000	246,147	1,853	
Other Expenses	46,500	44,500	24,481	20,019	
Building Subcode Official					
Salaries and Wages	44,000	49,000	48,922	78	
Plumbing Subcode Official					
Salaries and Wages	28,355	28,355	28,355	-	
Fire Subcode Official					
Salaries and Wages	16,408	16,408	16,408	-	
Electrical Subcode Official					
Salaries and Wages	44,044	44,044	44,044	-	
Elevator Subcode Official					
Other Expenses	36,000	36,000	27,199	8,801	
UNCLASSIFIED					
Utilities					
Gasoline	50,000	48,500	26,164	22,336	
Electricity	175,700	175,700	77,333	98,367	
Telephone	44,500	46,000	31,891	14,109	
Natural Gas	46,064	46,064	21,241	24,823	
Street Lighting	120,000	120,000	104,305	15,695	-
Total Operations Within "CAPS"	10,339,333	10,339,333	9,471,456	867,877	-
Contingent	-	-	-	-	-
Total Operations including Contingent - Within "CAPS"	10,339,333	10,339,333	9,471,456	867,877	-
Detail:					
Salaries and Wages	5,364,019	5,402,769	5,341,066	61,703	-
Other Expenses	4,975,314	4,936,564	4,130,390	806,174	-

**BOROUGH OF MONTVALE  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
STATUTORY CHARGES					
Social Security System (O.A.S.I.)	\$ 195,891	\$ 195,891	\$ 186,367	\$ 9,524	
Defined Contribution Retirement Plan (DCRP)	8,825	8,825	3,748	5,077	
Public Employees Retirement System	164,311	164,311	164,311	-	
Police and Fireman's Retirement System	<u>910,443</u>	<u>910,443</u>	<u>910,443</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures Municipal Within "CAPS"	<u>1,279,470</u>	<u>1,279,470</u>	<u>1,264,869</u>	<u>14,601</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,618,803</u>	<u>11,618,803</u>	<u>10,736,325</u>	<u>882,478</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library					
Chap. 82, 541 P.L. 85 - Minimum	792,650	792,650	774,870	17,780	
Chap. 82, 541 P.L. 85 - Addition	33,305	33,305	33,305	-	
Sewerage Processing and Disposal (Sanitation Chap. 74, P.L. 87)					
Contractual	998,680	998,680	998,680	-	
Reserve for Tax Appeals	50,000	50,000	50,000		
Length of Service Award Program (LOSAP)	55,000	55,000	18,900	36,100	
Police Dispatch/911					
Other Expenses	198,520	198,520	198,520	-	

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Interlocal Services Agreements					
Municipal Court Administration					
Salaries & Wages	\$ 116,363	\$ 116,363	\$ 103,687	\$ 12,676	
Other Expenses	66,001	66,001	59,614	6,387	
Prosecutor					
Other Expenses	13,720	13,720	13,230	490	
Public Defender					
Other Expenses	4,900	4,900	3,675	1,225	
Pascack Valley Regional School District					
Special Police					
Salaries and Wages	152,000	152,000	151,125	875	
Other Expenses	18,392	18,392	18,392	-	
Pascack Valley Department of Public Works					
Department of Public Works					
Other Expenses	1,886,223	1,886,223	1,886,223	-	-
Total Other Operations Excluded from "CAPS"	4,385,754	4,385,754	4,310,221	75,533	-
OPERATIONS - EXCLUDED FROM "CAPS"					
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Recycling Tonnage Grant	14,063	14,063		14,063	
Bergen County Municipal JIF Safety Incentive Program	1,750	1,750	1,750	-	
Clean Communities Grant		17,029		17,029	
Alcohol Education and Rehab. Grant	723	723		723	
Bullet Proof Vest	400	400		400	
Body Armor Grant-State Share	2,598	2,598	25	2,573	
Donation - 2 Paragon (Passive Recreation)	-	100,000	100,000	-	-
Total Public and Private Programs Offset by Revenues	19,534	136,563	101,775	34,788	-
Total Operations Excluded from "CAPS"	4,405,288	4,522,317	4,411,996	110,321	-
Detail:					
Salaries and Wages	268,363	268,363	254,812	13,551	
Other Expenses	4,136,925	4,253,954	4,157,184	96,770	-

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<b>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	\$ 125,000	\$ 125,000	\$ 125,000		
Acquisition of Equipment - Police Department	31,500	31,500	14,650	\$ 16,850	
Acquisition of Vehicles and Equipment - Fire Dept.	30,000	30,000	8,950	21,050	
Various Improvements - Buildings and Grounds	<u>137,550</u>	<u>137,550</u>	<u>137,354</u>	<u>196</u>	<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>324,050</u>	<u>324,050</u>	<u>285,954</u>	<u>38,096</u>	<u>-</u>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	1,270,000	1,270,000	1,270,000		
Interest on Bonds	322,525	322,525	322,525		
Interest on Notes	<u>34,500</u>	<u>34,500</u>	<u>34,500</u>	<u>-</u>	<u>-</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>1,627,025</u>	<u>1,627,025</u>	<u>1,627,025</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	<u>6,356,363</u>	<u>6,473,392</u>	<u>6,324,975</u>	<u>148,417</u>	<u>-</u>
Subtotal General Appropriations	17,975,166	18,092,195	17,061,300	1,030,895	-
Reserve for Uncollected Taxes	<u>1,770,400</u>	<u>1,770,400</u>	<u>1,770,400</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 19,745,566</u>	<u>\$ 19,862,595</u>	<u>\$ 18,831,700</u>	<u>\$ 1,030,895</u>	<u>\$ -</u>
Budget as Adopted		\$ 19,745,566			
Appropriation by 40A:4-87		<u>117,029</u>			
		<u>\$ 19,862,595</u>			

**BOROUGH OF MONTVALE  
BALANCE SHEET - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2020 (UNAUDITED)**

	<u>2020</u>
ASSETS	
ANIMAL CONTROL FUND	
Cash	\$ <u>17,387</u>
OTHER TRUST FUND	
Cash	<u>2,549,123</u>
UNEMPLOYMENT INSURANCE FUND	
Cash	<u>286,869</u>
OPEN SPACE PRESERVATION TRUST FUND	
Cash	<u>175,822</u>
LENGTH OF SERVICE AWARDS PROGRAM FUND (UNAUDITED)	
Investments	848,496
Due from Current Fund	<u>18,900</u>
	<u>867,396</u>
Total Assets	<u>\$ 3,896,597</u>

**BOROUGH OF MONTVALE  
BALANCE SHEET - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2020 (UNAUDITED)**

2020

LIABILITIES AND RESERVES

ANIMAL CONTROL FUND

Due to Current Fund	\$ 4,786
Reserve for Animal Control Expenditures	<u>12,601</u>
	<u>17,387</u>

OTHER TRUST FUND

Due to Current Fund	6,778
Escrow Deposits	1,172,338
Payroll Deductions Payable	65,386
Miscellaneous Reserves and Deposits	<u>1,304,621</u>
	<u>2,549,123</u>

UNEMPLOYMENT INSURANCE FUND

Due to State of NJ - Claims Payable	469
Reserve for Unemployment Compensation Insurance Claims	<u>286,400</u>
	<u>286,869</u>

OPEN SPACE PRESERVATION TRUST FUND

Reserve for Open Space Preservation	<u>175,822</u>
	<u>175,822</u>

LENGTH OF SERVICE AWARDS PROGRAM  
FUND (UNAUDITED)

Reserve for LOSAP Contributions	<u>867,396</u>
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Total Liabilities and Reserves	<u><u>\$ 3,896,597</u></u>
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**BOROUGH OF MONTVALE**  
**STATEMENT OF REVENUES-REGULATORY BASIS**  
**OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>Anticipated</u>			
	Budget	Budget After		Excess or
	(Memo)	Modifications	Realized	(Deficit)
		(Memo)		
Amount to be Raised by Taxation	\$ 102,309	\$ 102,309	\$ 102,692	\$ 383
Reserve Funds Utilized	<u>-</u>	<u>1,227</u>	<u>1,227</u>	<u>-</u>
	<u>\$ 102,309</u>	<u>\$ 103,536</u>	<u>\$ 103,919</u>	<u>\$ 383</u>

**STATEMENT OF EXPENDITURES-REGULATORY BASIS**  
**OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>Appropriated</u>		<u>Expended</u>	
	Budget	Budget After	Paid or	
	(Memo)	Modification	Charged	Reserved
		(Memo)		
Reserve for Future Use	\$ 102,309	103,536	103,536	\$ -
	<u>\$ 102,309</u>	<u>\$ 103,536</u>	<u>\$ 103,536</u>	<u>\$ -</u>

**BOROUGH OF MONTVALE  
BALANCE SHEET - REGULATORY BASIS  
GENERAL CAPITAL FUND  
AS OF DECEMBER 31, 2020 (UNAUDITED)**

2020

ASSETS

Cash	\$ 2,981,310
Federal and State Grants Receivable	55,000
Deferred Charges to Future Taxation	
Funded	8,350,000
Unfunded	<u>4,361,914</u>
 Total Assets	 <u>\$ 15,748,224</u>

LIABILITIES, RESERVES AND FUND BALANCE

General Serial Bonds	\$ 8,350,000
Bond Anticipation Notes	4,500,000
Encumbrances Payable	1,056,827
Improvement Authorizations	
Funded	536,387
Unfunded	746,710
Capital Improvement Fund	56,441
Reserve for Payment of Debt	200,785
Reserve for Improvement of Fields	126,520
Reserve for Grants Receivable	55,000
Fund Balance	<u>119,554</u>
 Total Liabilities, Reserves and Fund Balance	 <u>\$ 15,748,224</u>

There were bonds and notes authorized but not issued on December 31, 2020 of \$26,250.

**BOROUGH OF MONTVALE**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 (UNAUDITED)**

	<u>2020</u>
Balance, January 1	\$ 152,245
Increased by:	
Premiums on Notes Issued	<u>19,309</u>
Decreased by:	
Utilized in 2020 Budget	<u>52,000</u>
Balance, December 31	<u><u>\$ 119,554</u></u>

**BOROUGH OF MONTVALE  
BALANCE SHEET - REGULATORY BASIS  
PUBLIC ASSISTANCE FUND  
AS OF DECEMBER 31, 2020 (UNAUDITED)**

	<u>2020</u>
ASSETS	
Cash	\$ <u>4,593</u>
Total Assets	\$ <u><u>4,593</u></u>
LIABILITIES AND RESERVES	
Reserve for Public Assistance Expenditures	\$ <u>4,593</u>
Total Liabilities and Reserves	\$ <u><u>4,593</u></u>

**BOROUGH OF MONTVALE  
BALANCE SHEET - REGULATORY BASIS  
GENERAL FIXED ASSETS ACCOUNT GROUP  
AS OF DECEMBER 31, 2020 (UNAUDITED)**

2020

ASSETS

Land and Land Improvements	\$ 19,231,603
Buildings and Building Improvements	16,737,717
Machinery and Equipment	<u>9,388,104</u>
	<u>\$ 45,357,424</u>

FUND BALANCE

Investment in General Fixed Assets	<u>\$ 45,357,424</u>
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**INDEPENDENT AUDITORS REPORT AND  
FINANCIAL STATEMENTS OF THE BOROUGH OF MONTVALE  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA  
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CHRISTOPHER M. VINCI, CPA  
CHRISTINA CUIFFO, 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, 2019 and 2018, and the related statements of operations and changes in fund balance - regulatory basis, the statements of revenues - regulatory basis and statements of expenditures - regulatory basis of the various funds for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Montvale on the basis of the financial accounting and reporting provisions and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the State of New Jersey for municipal government entities.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Montvale as of December 31, 2019 and 2018, or changes in financial position for the years then ended.

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

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

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

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

By/s/

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

Fair Lawn, New Jersey  
September 15, 2020

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

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

The accompanying Notes are an Integral Part of these Financial Statements

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

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

The accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF MONTVALE**  
**COMPARATIVE STATEMENTS OF REVENUES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>		<u>2018</u>	
	<u>Budget After</u>	<u>Realized</u>	<u>Budget After</u>	<u>Realized</u>
	<u>Modification</u>		<u>Modification</u>	
Surplus Anticipated	\$ 4,250,000	\$ 4,250,000	\$ 4,175,000	\$ 4,175,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	17,000	17,840	17,000	17,590
Other	43,000	50,795	45,000	44,220
Fees and Permits	195,000	254,408	155,000	213,115
Fines and Costs - Municipal Court	182,500	181,356	175,000	183,988
Interest and Costs on Taxes	63,000	69,905	67,500	74,510
Interest on Investments and Deposits	5,000	16,591	500	11,282
Uniform Fire Safety Act Local Enforcement				
Fees	117,500	116,970	110,000	118,373
Uniform Construction Code Fees	260,000	533,321	650,000	260,626
Energy Receipts Tax	1,262,378	1,262,378	1,262,378	1,262,378
Municipal Court Shared Service	194,402	179,586	194,891	185,417
Uniform Fire Safety Act - LEA Rebate	10,000	17,760	10,000	15,313
Cable TV Franchise Fees	127,500	131,138	120,000	134,103
Sewer Agreement - Marriott Corporation	26,772	26,772	61,939	61,939
Pascack Valley - Special Police Shared Service	153,575	153,468	111,488	111,330
Hotel/Motel Tax	195,000	188,722	190,000	196,043
Reserve for Field Maintenance	5,000	5,000		
Public and Private Revenues Offset With				
Appropriations				
County of Bergen - Office of the County Prosecutor	35,100	35,100		
Municipal Alliance on Alcoholism and				
Drug Abuse	9,876	9,876	9,876	3,804
NJ DOT - Various Street Improvements	207,000	207,000	218,000	218,000
Police Donation - Wegmans	1,771	1,771	1,615	1,615
Police Donation	21,691	21,691		
Senior Citizens Activities			3,338	3,338
Environmental Donation	200,000	200,000		
Bergen County Open Space - Field Improvements	178,538	178,538		
Drunk Driving Enforcement Fund	9,805	9,805		
Bullet Proof Vest - Federal	2,000	2,000		
BCMJIF - Safety Incentive	1,750	1,750		
Alcohol Education and Rehabilitation	1,391	1,391	772	772
Body Armor Grant - State Share	2,775	2,775	2,428	2,428
Clean Communities Grant	35,808	35,808		
Recycling Tonnage Grant	8,498	8,498	9,898	9,898
Total Miscellaneous Revenues	3,573,630	3,922,013	3,416,623	3,130,082
Receipts from Delinquent Taxes	220,000	239,398	215,000	623,961
Sub-Total General Revenues	8,043,630	8,411,411	7,806,623	7,929,043
Amount to be Raised by Taxes for Support				
of Municipal Budget				
Local Tax for Municipal Purposes	11,392,716	12,844,351	11,522,622	13,162,506
Minimum Library Tax	759,925	759,925	763,851	763,851
Total Amount to be Raised by Taxes	12,152,641	13,604,276	12,286,473	13,926,357
Total General Revenues	\$ 20,196,271	\$ 22,015,687	\$ 20,093,096	\$ 21,855,400

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## 2019 STATEMENT OF EXPENDITURES

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

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



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

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

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

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

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

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

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

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

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

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

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
<b>CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"</b>					
Capital Improvement Fund	\$ 62,000	\$ 62,000	\$ 62,000		
Open Space - LaTrenta Improvements	113,538	178,538	175,854	\$ 2,684	
Acquisition of Equipment - Police Department	65,000	65,068	65,068		
Acquisition of Vehicles and Equipment - UCC	45,000	45,000	43,704	1,296	
Acquisition of Vehicles and Equipment - Fire Dept.	45,000	45,000	44,000	1,000	
Various Improvements - Buildings and Grounds	135,000	135,000	134,597	403	
Donation - Park, Pond and Trail Improvements	-	200,000	65,025	134,975	
NJDOT - Improvements to Various Streets	-	207,000	-	207,000	-
<b>Total Capital Improvements Excluded from "CAPS"</b>	<b>465,538</b>	<b>937,606</b>	<b>590,248</b>	<b>347,358</b>	<b>-</b>
<b>MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"</b>					
Payment of Bond Principal	1,415,000	1,415,000	1,415,000		
Interest on Bonds	361,825	361,825	361,820		\$ 5
Interest on Notes	-	-	-	-	-
<b>Total Municipal Debt Service Excluded from "CAPS"</b>	<b>1,776,825</b>	<b>1,776,825</b>	<b>1,776,820</b>	<b>-</b>	<b>5</b>
<b>DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"</b>					
Emergency Authorization	33,000	33,000	33,000	-	-
<b>Total Deferred Charges - Municipal - Excluded from "CAPS"</b>	<b>33,000</b>	<b>33,000</b>	<b>33,000</b>	<b>-</b>	<b>-</b>
<b>Total General Appropriations for Municipal Purposes - Excluded from "CAPS"</b>	<b>6,329,091</b>	<b>6,896,363</b>	<b>6,435,323</b>	<b>461,035</b>	<b>5</b>
<b>Subtotal General Appropriations</b>	<b>17,915,000</b>	<b>18,481,204</b>	<b>16,834,899</b>	<b>1,646,300</b>	<b>5</b>
<b>Reserve for Uncollected Taxes</b>	<b>1,715,067</b>	<b>1,715,067</b>	<b>1,715,067</b>	<b>-</b>	<b>-</b>
<b>Total General Appropriations</b>	<b>\$ 19,630,067</b>	<b>\$ 20,196,271</b>	<b>\$ 18,549,966</b>	<b>\$ 1,646,300</b>	<b>\$ 5</b>
Budget as Adopted		\$ 19,630,067			
Appropriation by 40A:4-87		566,204			
		<u>\$ 20,196,271</u>			

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## 2018 STATEMENT OF EXPENDITURES

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT FUNCTIONS					
Administrative and Executive					
Salaries and Wages	\$ 223,500	\$ 223,500	\$ 221,049	\$ 2,451	
Other Expenses	164,517	207,517	194,099	13,418	
Mayor and Council					
Salaries and Wages	47,900	47,900	47,889	11	
Other Expenses	19,800	19,800	15,388	4,412	
Borough Clerk					
Salaries and Wages	143,500	143,500	142,236	1,264	
Other Expenses	20,550	20,550	13,980	6,570	
Elections					
Salaries and Wages	2,500	2,500	901	1,599	
Other Expenses	12,800	12,800	8,370	4,430	
Financial Administration					
Salaries and Wages	249,100	249,100	229,757	19,343	
Other Expenses	27,400	27,400	19,385	8,015	
Audit Services					
Other Expenses	41,600	41,600		41,600	
Assessment of Taxes					
Salaries and Wages	35,600	35,600	32,211	3,389	
Other Expenses	35,600	35,600	6,474	29,126	
Collection of Taxes					
Salaries and Wages	63,200	63,200	63,138	62	
Other Expenses	19,800	19,800	13,732	6,068	
Legal Services and Costs					
Other Expenses	325,000	325,000	321,362	3,638	
Engineering Services and Costs					
Other Expenses	147,000	182,000	165,337	16,663	
Cable TV Committee					
Salaries and Wages	3,700	3,700	977	2,723	
Other Expenses	5,000	5,000	2,762	2,238	

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After <u>Modification</u>	Paid or <u>Charged</u>	<u>Reserved</u>	Balance <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Continued)					
GENERAL GOVERNMENT FUNCTIONS (Continued)					
Historic Preservation Commission					
Other Expenses	\$ 1,000	\$ 1,000		\$ 1,000	
Historian					
Other Expenses	100	100		100	
Municipal Land Use Law					
Planning Board					
Salaries and Wages	90,600	92,600	\$ 90,182	2,418	
Other Expenses	267,350	182,350	73,960	108,390	
Zoning Official					
Salaries and Wages	9,150	9,150	9,129	21	
Code Enforcement and Administration					
Property Maintenance					
Salaries and Wages	3,350	3,350	3,325	25	
Insurance					
Life Insurance	2,900	2,900	2,632	268	
General Liability	211,100	211,100	206,967	4,133	
Workers Compensation	167,500	167,500	166,623	877	
Employee Group Health	900,500	900,500	819,305	81,195	
Employee Group Health -Waiver	35,000	35,000	25,000	10,000	
PUBLIC SAFETY FUNCTIONS					
Fire					
Other Expenses	144,750	162,750	150,707	12,043	
Fire Hydrant Service	215,000	215,000	186,973	28,027	
Police					
Salaries and Wages	3,579,500	3,579,500	3,515,966	63,534	
Other Expenses	158,620	158,620	146,273	12,347	
Purchase of Police Vehicles	80,000	100,000	88,939	11,061	
Police Dispatch					
Other Expenses	40,000	40,000	28,697	11,303	

**BOROUGH OF MONTVALE  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	Balance <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Continued)					
First Aid Organization					
Other Expenses	\$ 34,000	\$ 34,000	\$ 21,205	\$ 12,795	
Emergency Management					
Salaries and Wages	9,605	9,605	8,475	1,130	
Other Expenses	38,900	38,900	30,542	8,358	
Uniform Fire Safety Act					
Salaries and Wages	47,900	54,900	53,237	1,663	
Other Expenses	10,700	10,700	6,529	4,171	
Prosecutor					
Other Expenses	12,960	12,960	12,960	-	
PUBLIC WORKS FUNCTIONS					
Road Repair and Maintenance					
Other Expenses	115,000	115,000	68,990	46,010	
Sewer System					
Other Expenses	50,000	50,000	24,775	25,225	
Garbage and Trash Removal					
Other Expenses	600,000	600,000	565,316	34,684	
Recycling					
Other Expenses	5,000	5,000	1,680	3,320	
Public Buildings and Grounds					
Salaries and Wages	27,700	27,700	27,662	38	
Other Expenses	120,900	120,900	94,234	26,666	
Maintenance of All Vehicles					
Other Expenses	45,000	27,000	14,554	12,446	
Municipal Services Act					
Other Expenses	17,500	17,500	16,645	855	

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	Budget After <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	Balance <u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 3,000	\$ 3,000	\$ 2,343	\$ 657	
Other Expenses	93,410	93,410	67,950	25,460	
Environmental Commission					
Salaries and Wages	1,500	1,500	670	830	
Other Expenses	25,800	25,800	25,094	706	
Animal Regulation					
Other Expenses	13,500	13,500	10,535	2,965	
Administration of Public Assistance					
Salaries and Wages	6,780	6,780	6,767	13	
Other Expenses	350	350	327	23	
PARK AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Other Expenses	1,000	1,000		1,000	
Recreation Services and Programs					
Salaries and Wages	54,300	54,300	54,250	50	
Other Expenses	29,700	29,700	16,820	12,880	
Senior Citizen Van					
Salaries and Wages	24,000	24,000	14,640	9,360	
Senior Citizens					
Other Expenses	22,655	22,655	14,070	8,585	
Celebration of Public Events					
Other Expenses	27,500	27,500	27,500	-	
OTHER COMMON OPERATING FUNCTIONS					
PEOSHA Compliance					
Other Expenses	2,000	2,000		2,000	
Salary Adjustment Account	10,000	1,000		1,000	
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	99,910	99,910	96,658	3,252	
Other Expenses	11,668	11,668	9,298	2,370	

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
MUNICIPAL COURT FUNCTIONS (Continued)					
Public Defender					
Other Expenses	\$ 3,600	\$ 3,600	\$ 3,600		
STATE UNIFORM CONSTRUCTION CODE					
Construction Code Officials					
Salaries and Wages	173,200	193,200	185,462	\$ 7,738	
Other Expenses	84,200	84,200	49,998	34,202	
Building Subcode Official					
Salaries and Wages	41,300	41,300	41,283	17	
Plumbing Subcode Official					
Salaries and Wages	26,800	26,800	26,727	73	
Fire Subcode Official					
Salaries and Wages	15,950	15,950	15,930	20	
Electrical Subcode Official					
Salaries and Wages	41,600	41,600	41,516	84	
Elevator Subcode Official					
Other Expenses	32,000	32,000	32,000	-	
UNCLASSIFIED					
Utilities					
Gasoline	60,000	60,000	46,028	13,972	
Electricity	164,950	164,950	130,469	34,481	
Telephone	42,000	42,000	41,091	909	
Natural Gas	59,750	59,750	30,113	29,637	
Street Lighting	125,000	125,000	102,688	22,312	-
Total Operations Within "CAPS"	9,927,075	9,960,075	9,054,356	905,719	-
Contingent	1,000	1,000	-	1,000	-
Total Operations including Contingent - Within "CAPS"	9,928,075	9,961,075	9,054,356	906,719	-
Detail:					
Salaries and Wages	5,035,145	5,055,145	4,932,380	122,765	-
Other Expenses	4,892,930	4,905,930	4,121,976	783,954	-

**BOROUGH OF MONTVALE  
STATEMENT OF EXPENDITURES - REGULATORY BASIS  
CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
DEFERRED CHARGES AND STATUTORY EXPENDITURES-MUNICIPAL WITHIN "CAPS"					
STATUTORY CHARGES					
Social Security System (O.A.S.I.)	\$ 204,000	\$ 204,000	\$ 173,055	\$ 30,945	
Defined Contribution Retirement Plan (DCRP)	14,350	14,350	10,782	3,568	
Public Employees Retirement System	164,067	164,067	164,067	-	
Police and Fireman's Retirement System	<u>725,274</u>	<u>725,274</u>	<u>725,274</u>	<u>-</u>	<u>-</u>
Total Deferred Charges and Statutory Expenditures Municipal Within "CAPS"	<u>1,107,691</u>	<u>1,107,691</u>	<u>1,073,178</u>	<u>34,513</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>11,035,766</u>	<u>11,068,766</u>	<u>10,127,534</u>	<u>941,232</u>	<u>-</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Maintenance of Free Public Library					
Chap. 82, 541 P.L. 85-Minimum	763,851	763,851	748,599	15,252	
Chap. 82, 541 P.L. 85- Addition	42,443	42,443	42,443	-	
Sewerage Processing and Disposal (Sanitation Chap. 74, P.L. 87)					
Contractual	886,500	886,500	886,276	224	
Reserve for Tax Appeals	600,000	600,000	600,000		
Recycling Tax	10,000	10,000	5,087	4,913	
Length of Service Award Program (LOSAP)	52,500	52,500	27,000	25,500	
Police Dispatch/911					
Other Expenses	192,800	192,800	192,800	-	

**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
(Continued)					
Interlocal Services Agreements					
Municipal Court Administration					
Salaries & Wages	\$ 108,240	\$ 108,240	\$ 104,713	\$ 3,527	
Other Expenses	68,711	68,711	55,533	13,178	
Prosecutor					
Other Expenses	14,040	14,040	14,040	-	
Public Defender					
Other Expenses	3,900	3,900	3,900	-	
Pascack Valley Regional School District					
Special Police					
Salaries and Wages	83,500	97,688	97,572	116	
Other Expenses	11,800	13,800	13,758	42	
Pascack Valley Department of Public Works					
Department of Public Works					
Other Expenses	1,609,650	1,609,650	1,609,628	22	-
Total Other Operations Excluded from "CAPS"	4,447,935	4,464,123	4,401,349	62,774	-
OPERATIONS - EXCLUDED FROM "CAPS"					
PUBLIC AND PRIVATE PROGRAMS					
OFFSET BY REVENUES					
Recycling Tonnage Grant	9,898	9,898		9,898	
CDBG-Senior Citizen Activities	3,338	3,338			\$ 3,338
Clean Communities Grant					
Municipal Alliance Program					
County Share	9,876	9,876			9,876
Local Share	2,469	2,469		2,469	
Alcohol Education and Rehab. Grant	772	772		772	
Body Armor Grant-State Share	2,428	2,428	1,580	848	-
Police Donations - Wegmans	-	1,615	1,615	-	-
Total Public and Private Programs Offset by Revenues	28,781	30,396	3,195	13,987	13,214
Total Operations Excluded from "CAPS"	4,476,716	4,494,519	4,404,544	76,761	13,214
Detail:					
Salaries and Wages	191,740	205,928	202,285	3,643	
Other Expenses	4,284,976	4,288,591	4,202,259	73,118	13,214



**BOROUGH OF MONTVALE**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>		Unexpended
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Balance Cancelled</u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 43,000	\$ 43,000	\$ 43,000		
Acquisition of Equipment - Police Department	22,000	22,000	22,000		
Acquisition of Vehicles and Equipment - Fire Depart.	60,000	60,000	55,883	\$ 4,117	
Various Improvements - Buildings and Grounds	60,000	60,000	57,790	2,210	
Varous Improvements - Cable Television	150,000	150,000	150,000		
NJDOT - Improvements to Various Streets	218,000	218,000	172,237	45,763	-
Total Capital Improvements Excluded from "CAPS"	553,000	553,000	500,910	52,090	-
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,625,000	1,625,000	1,625,000		
Interest on Bonds	105,901	105,901	105,900		\$ 1
Interest on Notes	171,001	171,001	171,000	-	1
Total Municipal Debt Service Excluded from "CAPS"	1,901,902	1,901,902	1,901,900	-	2
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorization	425,000	425,000	425,000	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	425,000	425,000	425,000	-	-
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	7,356,618	7,374,421	7,232,354	128,851	13,216
Subtotal General Appropriations	18,392,384	18,443,187	17,359,888	1,070,083	13,216
Reserve for Uncollected Taxes	1,682,909	1,682,909	1,682,909	-	-
Total General Appropriations	\$ 20,075,293	\$ 20,126,096	\$ 19,042,797	\$ 1,070,083	\$ 13,216
Budget as Adopted		\$ 20,075,293			
Appropriation by 40A:4-87		17,803			
Emergency Appropriation		33,000			
		<u>\$ 20,126,096</u>			

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

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

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF MONTVALE**  
**COMPARATIVE STATEMENTS OF REVENUES-REGULATORY BASIS**  
**OPEN SPACE PRESERVATION TRUST FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>		<u>2018</u>	
	Budget After <u>Modifications</u>	<u>Realized</u>	Budget After <u>Modifications</u>	<u>Realized</u>
Amount to be Raised by Taxation	\$ <u>102,184</u>	\$ <u>102,581</u>	\$ <u>102,988</u>	\$ <u>103,295</u>
	\$ <u><u>102,184</u></u>	\$ <u><u>102,581</u></u>	\$ <u><u>102,988</u></u>	\$ <u><u>103,295</u></u>

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

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

EXHIBIT B-2b

**STATEMENT OF EXPENDITURES-REGULATORY BASIS  
OPEN SPACE PRESERVATION TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Appropriated</u>		<u>Expended</u>	
	Budget	Budget After	Paid or	
	<u>(Memo)</u>	<u>(Memo)</u>	<u>Charged</u>	<u>Reserved</u>
Development of Land for Recreation and Conservation				
Other Expenses		\$ 73,671	\$ 73,671	
Maintenance of Land for Recreation and Conservation				
Other Expenses		24,759	24,759	
Reserve for Future Use	\$ 102,988	4,558	-	\$ 4,558
	<u>\$ 102,988</u>	<u>\$ 102,988</u>	<u>\$ 98,430</u>	<u>\$ 4,558</u>

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

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

There were bonds and notes authorized but not issued on December 31, 2019 and 2018 of \$51,250 and \$0, respectively.

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

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

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

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



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

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

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## **NOTES TO FINANCIAL STATEMENTS**

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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

The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the municipal library nor the volunteer fire department, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

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

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

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

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

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

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

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

General Fixed Assets Account Group - This account group is used to account for all general fixed assets of the Borough. The Borough's infrastructure is not reported in the account group.

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

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

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

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

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

**Financial Statements – Regulatory Basis**

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

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

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

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

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

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

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

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

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

**Property Tax Revenues/Receivables** - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 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, 2019 AND 2018**

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

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

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

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

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

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

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

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

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



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

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

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

**General Fixed Assets** - In accordance with NJAC 5:30-5.6, Accounting for Governmental Fixed Assets, the Borough of Montvale has developed a fixed assets accounting and reporting system. Fixed assets are defined by the Borough as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years.

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

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

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

No depreciation has been provided for in the financial statements.

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

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

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

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

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

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

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

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

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

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2019 and 2018 the Borough Council increased the original budget by \$566,204 and \$50,803. The increases in 2019 were funded by additional aid allotted to the Borough. The increases in 2018 were funded by additional aid allotted to the Borough in the amount of \$17,803 and emergency appropriations of \$33,000 for administrative expenses. In addition, the governing body approved several budget transfers during 2019 and 2018.

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

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

**A. Cash Deposits**

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

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

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

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

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

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

**B. Investments**

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

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

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

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

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

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

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

**B. Investments (Continued)**

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1 and NJAC 5:30-14.19). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2018 and 2017, the Borough's investment in Lincoln Financial Group a subsidiary of Lincoln National Life Insurance Company was rated Baa1 by Moody's Investor Service.

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

The fair value of the above-listed investments was based on information provided by Lincoln Financial Group.

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

**NOTE 4 TAXES RECEIVABLE**

Receivables at December 31, 2019 and 2018 consisted of the following:

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

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

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

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

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

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

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

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

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

**NOTE 7 FUND BALANCES APPROPRIATED**

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

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

**NOTE 8 FIXED ASSETS**

**A. General Fixed Assets**

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

	<u>Balance December 31, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2019</u>
<b>2019</b>				
Land and Land Improvements	\$ 19,058,038			\$ 19,058,038
Buildings and Building Improvements	15,389,598	\$ 87,283		15,476,881
Machinery and Equipment	<u>8,980,023</u>	<u>497,139</u>	<u>\$ (211,516)</u>	<u>9,265,646</u>
	<u>\$ 43,427,659</u>	<u>\$ 584,422</u>	<u>\$ (211,516)</u>	<u>\$ 43,800,565</u>
	<u>Balance December 31, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2018</u>
<b>2018</b>				
Land and Land Improvements	\$ 17,854,914	\$ 1,209,498	\$ (6,374)	\$ 19,058,038
Buildings and Building Improvements	13,557,931	1,832,864	(1,197)	15,389,598
Machinery and Equipment	<u>8,539,645</u>	<u>443,247</u>	<u>(2,869)</u>	<u>8,980,023</u>
	<u>\$ 39,952,490</u>	<u>\$ 3,485,609</u>	<u>\$ (10,440)</u>	<u>\$ 43,427,659</u>

**BOROUGH OF MONTVALE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 MUNICIPAL DEBT**

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

The Borough's debt is summarized as follows:

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

**Statutory Net Debt**

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

<u><b>2019</b></u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
General Debt	\$ 11,971,250	\$ 109,480	\$ 11,861,770
School Debt	<u>6,200,948</u>	<u>6,200,948</u>	<u>-</u>
Total	<u>\$ 18,172,198</u>	<u>\$ 6,310,428</u>	<u>\$ 11,861,770</u>
 <u><b>2018</b></u>	 <u>Gross Debt</u>	 <u>Deductions</u>	 <u>Net Debt</u>
General Debt	\$ 11,035,000	\$ 109,480	\$ 10,925,520
School Debt	<u>7,105,495</u>	<u>7,105,495</u>	<u>-</u>
Total	<u>\$ 18,140,495</u>	<u>\$ 7,214,975</u>	<u>\$ 10,925,520</u>

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

**NOTE 9 MUNICIPAL DEBT (Continued)**

**Statutory Borrowing Power**

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

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

**A. Long-Term Debt**

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

**General Obligation Bonds**

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

**General Obligation Bonds**

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

	<u><b>2019</b></u>	<u><b>2018</b></u>
\$3,775,000, 2010 Refunding Bonds, due in an annual installment of \$450,000 through August, 2019, interest at 3.00% to 4.375%		\$ 450,000
\$3,695,000, 2011 Bonds, due in annual installments of \$425,000 to \$430,000 through December, 2021, interest at 2.50%	\$ 855,000	1,280,000
\$9,305,000, 2018 Bonds, due in annual installments of \$540,000 to \$905,000 through August, 2030, interest at 3.00% to 5.00%	<u>8,765,000</u>	<u>9,305,000</u>
	<u>\$ 9,620,000</u>	<u>\$ 11,035,000</u>



**BOROUGH OF MONTVALE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 MUNICIPAL DEBT (Continued)**

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

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

Calendar Year	<u>General</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,270,000	\$ 322,525	\$ 1,592,525
2021	1,275,000	286,550	1,561,550
2022	905,000	250,450	1,155,450
2023	760,000	223,300	983,300
2024	760,000	200,500	960,500
2025-2029	3,855,000	497,650	4,352,650
2030	<u>795,000</u>	<u>23,850</u>	<u>818,850</u>
	<u>\$ 9,620,000</u>	<u>\$ 1,804,825</u>	<u>\$ 11,424,825</u>

**Changes in Long-Term Municipal Debt**

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

	Balance, December 31, <u>2018</u>	<u>Increase</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<b><u>2019</u></b>					
General Capital Fund					
Bonds Payable	<u>\$ 11,035,000</u>	<u>\$ -</u>	<u>\$ 1,415,000</u>	<u>\$ 9,620,000</u>	<u>\$ 1,270,000</u>
	Balance, December 31, <u>2017</u>	<u>Increase</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
General Capital Fund					
Bonds Payable	<u>\$ 3,355,000</u>	<u>\$ 9,305,000</u>	<u>\$ 1,625,000</u>	<u>\$ 11,035,000</u>	<u>\$ 1,415,000</u>

**BOROUGH OF MONTVALE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 MUNICIPAL DEBT (Continued)**

**B. Short-Term Debt**

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

**Bond Anticipation Notes**

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	Balance, December 31, <u>2018</u>	Renewals/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2019</u>
<b><u>2019</u></b>						
<u>General Capital Fund</u>						
Various Capital Improvements	1.50%	8/21/2020	-	\$ 2,300,000	-	\$ 2,300,000
			<u>\$ -</u>	<u>\$ 2,300,000</u>	<u>\$ -</u>	<u>\$ 2,300,000</u>
			Balance, December 31, <u>2017</u>	Renewals/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2018</u>
<b><u>2018</u></b>						
<u>General Capital Fund</u>						
Construction of New Firehouse	2.25%	8/24/2018	\$ 4,400,000		\$ 4,400,000	
Various Capital Improvements	2.25%	8/24/2018	2,535,000		2,535,000	
Acquisition of Property	2.25%	8/24/2018	<u>665,000</u>	<u>-</u>	<u>665,000</u>	<u>-</u>
			<u>\$ 7,600,000</u>	<u>\$ -</u>	<u>\$ 7,600,000</u>	<u>\$ -</u>

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

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

**BOROUGH OF MONTVALE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<b><u>2019</u></b>		
Various Road Improvements	\$ 286,478	2020
Sanitary and Storm Sewer Repairs	43,942	2020
Municipal Complex HVAC Upgrades	180,992	2020
LaTrenta Field Synthetic Turf	567,569	2020
<b><u>2018</u></b>		
Various Road Improvements	\$ 1,246,322	2019
Municipal Complex	46,150	2019
Fieldstone Turf Replacement and Improvements	10,446	2019
New Firehouse Construction	65,864	2019

**NOTE 11 OTHER LONG-TERM LIABILITIES**

**A. Compensated Absences**

Under the existing policies and labor agreements of the Borough, certain employees are allowed to accumulate (with certain restrictions) unused sick leave over the life of their working careers and to redeem such unused leave time in cash (with certain limitations) upon retirement.

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

**BOROUGH OF MONTVALE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)**

**Changes in Other Long-Term Liabilities**

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

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

	Balance, December 31, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2019</u>	Due Within <u>One Year</u>
<b><u>2019</u></b>					
Compensated Absences/Terminal Leave	\$ 760,624		\$ 133,589	\$ 627,035	\$ -
Net Pension Liability - PERS	4,633,623		361,042	4,272,581	
Net Pension Liability - PFRS	<u>11,782,802</u>	<u>-</u>	<u>752,489</u>	<u>11,030,313</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 17,177,049</u>	<u>\$ -</u>	<u>\$ 1,247,120</u>	<u>\$ 15,929,929</u>	<u>\$ -</u>
	Balance, December 31, <u>2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2018</u>	Due Within <u>One Year</u>
<b><u>2018</u></b>					
Compensated Absences/Terminal Leave	\$ 596,393	\$ 212,385	\$ 48,154	\$ 760,624	\$ 51,918
Net Pension Liability - PERS	5,761,045		\$ 1,127,422	4,633,623	
Net Pension Liability - PFRS	<u>12,651,520</u>	<u>-</u>	<u>868,718</u>	<u>11,782,802</u>	<u>-</u>
Other Long-Term Liabilities	<u>\$ 19,008,958</u>	<u>\$ 212,385</u>	<u>\$ 2,044,294</u>	<u>\$ 17,177,049</u>	<u>\$ 51,918</u>

**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS**

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

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

**BOROUGH OF MONTVALE**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

The following represents the membership tiers for PFRS:

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

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

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

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

The following represents the membership tiers for PERS:

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

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

**BOROUGH OF MONTVALE**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

**Other Pension Funds**

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

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

**BOROUGH OF MONTVALE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Prudential retirement is the third-party administrator for the DCRP and provides record keeping, administrative services and investment options. Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. The net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial report may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290, or at [www.state.nj/treasury/doinvest](http://www.state.nj/treasury/doinvest).

**Collective Net Pension Liability**

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

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

**Actuarial Methods and Assumptions**

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

**Employer and Employee Pension Contributions**

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

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

**BOROUGH OF MONTVALE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Employer and Employee Pension Contributions (Contributions)**

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

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

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

In addition for the years ended December 31, 2019, 2018 and 2017 the Borough contributed for long-term disability insurance premiums (LTDI) \$343, \$1,054 and \$504, respectively for PERS.

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

The regulatory basis of accounting requires participating employers in PERS and PFRS to disclose in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No.68) their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS and PFRS during the fiscal years ended June 30, 2019 and 2018. Employer allocation percentages have been rounded for presentation purposes.

**Public Employees Retirement System (PERS)**

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



**BOROUGH OF MONTVALE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

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

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

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

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

**BOROUGH OF MONTVALE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

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

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

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

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

**BOROUGH OF MONTVALE**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

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

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

***Discount Rate***

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

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

**BOROUGH OF MONTVALE**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Discount Rate (Continued)***

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

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

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

***Sensitivity of Net Pension Liability***

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

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

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

**BOROUGH OF MONTVALE**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Pension Plan Fiduciary Net Position***

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

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

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

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

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

**BOROUGH OF MONTVALE**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

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

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

***Actuarial Assumptions***

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

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

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

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

**BOROUGH OF MONTVALE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Long-Term Expected Rate of Return***

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

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

***Discount Rate***

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

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

**BOROUGH OF MONTVALE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Discount Rate (Continued)***

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

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

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

***Sensitivity of Net Pension Liability***

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

<u><b>2019</b></u>	<b>1% Decrease (5.85%)</b>	<b>Current Discount Rate (6.85%)</b>	<b>1% Increase (7.85%)</b>
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 14,908,964</u>	<u>\$ 11,030,313</u>	<u>\$ 7,820,171</u>
<u><b>2018</b></u>	<b>1% Decrease (5.51%)</b>	<b>Current Discount Rate (6.51%)</b>	<b>1% Increase (7.51%)</b>
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 15,769,818</u>	<u>\$ 11,782,802</u>	<u>\$ 8,494,240</u>

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



**BOROUGH OF MONTVALE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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

***Special Funding Situation – PFRS***

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

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

***Pension Plan Fiduciary Net Position***

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

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS**

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for participating municipalities including certain eligible former Borough employees and/or their dependents under a special funding situation.

**Plan Description and Benefits Provided**

The State of New Jersey sponsors and administers the following post-retirement health benefit program covering substantially all eligible local government employees from local participating employers.

**State Health Benefit Program Fund – Local Government Retired (the Plan)** (including Prescription Drug Program Fund) – The Plan is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Comprehensive Annual Financial Report (CAFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retires with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retires and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A. 52:14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L. 1989.

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

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

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Measurement Focus and Basis of Accounting**

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

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

**Investment Valuation**

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

**Collective Net OPEB Liability**

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

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

**- Actuarial Methods and Assumptions**

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

**Post-Retirement Medical Benefits Contribution**

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

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

The State sets the employer contribution rate based on a pay-as-you-go basis rather than the actuarial determined contribution an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The actuarial determined contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and any unfunded actuarial liabilities (or funding excess) of the plan using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the Plan. The Borough is not required to make contributions to the State Plan under the special funding situation. The State as a non-employer contributing entity makes contributions to the Plan under a special funding situation.

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

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

***Special Funding Situation***

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

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

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

*Actuarial Assumptions*

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

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

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

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

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

**NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

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

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

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

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

***Long-Term Expected Rate of Return***

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

**Discount Rate**

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

**Calendar**

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

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

***OPEB Plan Fiduciary Net Position***

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

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

**NOTE 14 RISK MANAGEMENT**

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

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

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

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

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

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

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

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

**NOTE 15 CONTINGENT LIABILITIES**

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

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

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

**NOTE 16 FEDERAL ARBITRAGE REGULATIONS**

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

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

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

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



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

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

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

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

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

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

**Vesting and Benefits**

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

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

**Reporting Requirements**

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

**Interlocal Services Agreement**

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

The contributions are made in accordance with the plan established by the Borough of Park Ridge pursuant to N.J.S.A.40A:14-183 et seq. Montvale's share of the Tri-Borough Volunteer Ambulance Corps. LOSAP contributions for the year ended December 31, 2019 and 2018 were \$12,308 and \$11,283, respectfully.

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

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

**NOTE 18 TAX ABATEMENTS**

For the years ended December 31, 2019 and 2018, the Borough provided property tax abatements through certain programs authorized under State statutes. This program includes the New Jersey Housing and Mortgage Financing Act (NJHMFA).

The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2019 and 2018 the Borough abated property taxes totaling \$72,780 and \$71,887, respectively, under the NJHMFA program. The Borough received \$8,600 in PILOT payments under this program for both years ended December 31, 2019 and 2018, respectively.

**NOTE 19 INFECTIOUS DISEASE OUTBREAK – COVID-19 PANDEMIC**

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

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

**NOTE 20 SUBSEQUENT EVENTS**

**Debt Authorized**

On May 12, 2020 the Borough adopted a bond ordinance authorizing the issuance \$2,179,500 in Bonds or bond anticipation notes to fund various capital improvements. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

**Bond Anticipation Notes**

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

## **APPENDIX C**

### **FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL**

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\_\_\_\_\_, 2021

Borough Council of the  
Borough of Montvale, in the  
County of Bergen, New Jersey

Dear Council Members:

We have acted as bond counsel to the Borough of Montvale, in the County of Bergen, New Jersey (the "Borough"), in connection with the issuance by the Borough of \$6,160,000 General Improvement Bonds, Series 2021 (the "Bonds"), dated the date hereof. In order to render the opinions herein, we have examined laws, documents and records of proceedings, or copies thereof, certified or otherwise identified to us as we have deemed necessary.

The Bonds are issued pursuant to the Local Bond Law of the State of New Jersey, a resolution of the Borough adopted on June 29, 2021 pursuant to N.J.S.A. 40A:2-26(f), in all respects duly approved, and the various bond ordinances referred to therein, each in all respects duly approved and published as required by law.

In our opinion, except insofar as the enforcement thereof may be limited by any applicable bankruptcy, moratorium or similar laws or application by a court of competent jurisdiction of legal or equitable principles relating to the enforcement of creditors' rights, the Bonds are valid and legally binding obligations of the Borough payable from *ad valorem* taxes that may be levied upon all the taxable property within the Borough without limitation as to rate or amount.

On the date hereof, the Borough has covenanted in its Arbitrage and Tax Certificate (the "Certificate") to comply with certain continuing requirements that must be satisfied subsequent to the issuance of the Bonds in order to preserve the tax-exempt status of the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 103 of the Code, failure to comply with these requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. In the event that the Borough continuously complies with its covenants and in reliance on representations, certifications of fact and statements of reasonable expectations made by the Borough in the Certificate, it is our opinion that, under existing law, interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code. Interest on the Bonds are not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Further, in our opinion, based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. These opinions are based on existing statutes, regulations, administrative pronouncements and judicial decisions.

This opinion is issued as of the date hereof. We assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law or interpretations thereof that may occur after the date of this opinion or for any reason whatsoever.

Very truly yours,

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