

OFFICIAL STATEMENT DATED AUGUST 7, 2018

NEW ISSUE

**Rating: S&P “AAA”
(See “RATING” herein)**

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; however, interest paid to certain corporate holders of the Bonds indirectly may be subject to alternative minimum tax under circumstances described under “TAX MATTERS” herein. 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
\$9,305,000 GENERAL IMPROVEMENT BONDS, SERIES 2018
(CALLABLE) (BANK QUALIFIED) (BOOK-ENTRY-ONLY)**

Dated: Date of Delivery

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

The \$9,305,000 General Improvement Bonds, Series 2018 (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 of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository.

Proceeds of the Bonds will be used to: (i) currently refund \$7,600,000 of the Borough’s \$7,600,000 Bond Anticipation Note, dated August 24, 2017 and maturing August 24, 2018; (ii) provide \$2,170,000 in new money to finance various capital improvements in and by the Borough; and (iii) pay the costs associated with the authorization, sale and issuance of the Bonds. See “AUTHORIZATION AND PURPOSE” herein.

Interest on the Bonds will be payable semiannually on the fifteenth day of February and August in each year until maturity or prior redemption, commencing February 15, 2019. The principal of and the interest due on the Bonds will be paid to DTC by the Borough. 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). Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

The Bonds are subject to optional redemption prior to their stated maturities. See “DESCRIPTION OF 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 real 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 are 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 the approval of legality by the law firm of McManimon, Scotland & Baumann, LLC, Roseland, New Jersey, and certain other conditions described herein. Certain legal matters will be passed upon for the Borough by its Borough Attorney, Philip N. Boggia, Esq., Ridgely Park, New Jersey. Phoenix Advisors, LLC, Bordentown, New Jersey, has served as Municipal Advisor to the Borough in connection with the issuance of the Bonds. Delivery is anticipated to be at the offices of the Borough’s Bond Counsel, McManimon, Scotland & Baumann, LLC, or at such other place as agreed to with the Underwriter on or about August 23, 2018.

Roosevelt & Cross, Inc. and Associates

**BOROUGH OF MONTVALE,
IN THE COUNTY OF BERGEN, NEW JERSEY
\$9,305,000 GENERAL IMPROVEMENT BONDS, SERIES 2018
(CALLABLE) (BANK QUALIFIED) (BOOK-ENTRY-ONLY)**

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

<u>Year</u> <u>(August 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2019	\$540,000	3.75%	1.40%	615258FV7
2020	845,000	3.00	1.60	615258FW5
2021	845,000	3.00	1.75	615258FX3
2022	905,000	3.00	1.85	615258FY1
2023	760,000	3.00	1.95	615258FZ8
2024	760,000	5.00	2.05	615258GA2
2025	765,000	5.00	2.15	615258GB0
2026	770,000	4.00	2.30*	615258GC8
2027	770,000	3.00	2.55*	615258GD6
2028	775,000	3.00	2.65*	615258GE4
2029	775,000	3.00	2.75*	615258GF1
2030	795,000	3.00	2.85*	615258GG9

* Priced at the stated yield to the first optional redemption date of August 15, 2025 at a redemption price of 100%.

** 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 Standard & Poor's Capital IQ. 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 representation 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 specific maturity is subject to being changed after the issuance of the Bonds as a result of 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

BOROUGH COUNCIL

Dieter Koelling, President

Michael Weaver

Rose Curry

Timothy E. Lane

Elizabeth Gloeggler

Douglas Arendacs

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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 and such information is not to be construed as a representation or warranty by the Underwriter or, as to information from sources other than itself, by the Borough. 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 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.

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Borough since the date hereof or any earlier date as of which any information contained herein is given. 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.

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. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Borough.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NO REGISTRATION STATEMENTS RELATING TO THE BONDS HAVE BEEN FILED WITH THE SEC OR ANY STATE SECURITIES AGENCY. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR ANY STATE SECURITIES AGENCY, NOR HAS THE SEC OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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**OFFICIAL STATEMENT
OF
BOROUGH OF MONTVALE,
IN THE COUNTY OF BERGEN, NEW JERSEY
\$9,305,000 GENERAL IMPROVEMENT BONDS, SERIES 2018**

INTRODUCTION

This Official Statement, which includes the front cover page, the inside front cover page and the appendices attached hereto, has been prepared by the Borough of Montvale, in the County of Bergen, New Jersey (the “Borough”), in connection with the sale and issuance of \$9,305,000 General Improvement Bonds, Series 2018 (the “Bonds”). This Official Statement has been executed by and on behalf of the Borough by its Chief Financial Officer, and its distribution and use in connection with the sale of the Bonds have been authorized by the Borough.

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

DESCRIPTION OF THE BONDS

General Description

The Bonds shall be dated their date of delivery and shall mature on August 15 in each of the years and in the amounts set forth on the inside front cover page hereof. Interest due on the Bonds will be payable semiannually on February 15 and August 15 in each year until maturity or prior redemption, commencing on February 15, 2019. Principal of and interest due on the Bonds will be paid to DTC (as defined herein) by the Borough or its designated paying agent. 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). Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day calendar months.

The Bonds are issuable as fully registered book-entry bonds in the form of one certificate for each maturity of 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 of 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. See “Book-Entry-Only System” herein.

Redemption

The Bonds of this issue maturing prior to August 15, 2026 are not subject to redemption prior to their stated maturities. The Bonds of this issue maturing on or after August 15, 2026 are redeemable at the option of the Borough, in whole or in part, on any date on or after August 15, 2025 at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption.

Notice of Redemption

Notice of redemption shall be given by mailing by first class mail in a sealed envelope with postage prepaid to the registered owners of the Bonds not less than thirty (30) days, nor more than sixty (60) days prior

to the date fixed for redemption. Such mailing shall be to the owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Borough or a duly appointed bond registrar. Any failure of the securities depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Borough determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected by the Borough; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, the Borough shall send redemption notices only to Cede & Co. See “Book-Entry-Only System” herein for further information regarding conveyance of notices to Beneficial Owners (defined below).

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the redemption price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on the Bonds after the date fixed for redemption and no further interest shall accrue beyond the redemption date. Payment shall be made upon surrender of the Bonds redeemed.

Book-Entry-Only System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interest in the Bonds, payment of principal and interest and other payments on the Bonds to Direct and Indirect Participants (each as defined below) or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and between DTC, Direct Participants and Beneficial Owners, is based on certain information furnished by DTC to the Borough. 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 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”). DTC has a S&P Global 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 and www.dtc.org.

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 the

Bonds (each a “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 the 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 the bonds with DTC and its' 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 is 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.

Redemption notices, if applicable, shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

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 procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Borough as soon as possible after the 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 Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, if any, and principal and interest payments 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 the paying agent, if any, on the 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 redemption proceeds, if any, and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Borough or the paying agent, if any, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall 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 the 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 Borough may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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 takes no 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 OF 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.

Discontinuation 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

General

The Bonds are valid and legally binding obligations of the Borough, and the Borough has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable real property within the Borough without limitation as to rate or amount. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

The Borough

The Borough is located along the northern border of Bergen County, New Jersey (the "County"). See Appendix "A" for demographic and statistical information concerning the Borough.

AUTHORIZATION AND PURPOSE

The Bonds are authorized by and are issued pursuant to the Local Bond Law of the State of New Jersey, N.J.S.A. 40A:2-1 et seq. (the "Local Bond Law"), and the bond ordinances set forth below, each duly

approved and published as required by law, and a resolution duly adopted by the Borough on July 10, 2018 (the “Resolution”).

The proceeds of the Bonds are being used to: (i) currently refund \$7,600,000 of the Borough’s \$7,600,000 Bond Anticipation Note, dated and issued August 24, 2017 and maturing August 24, 2018; (ii) provide \$2,170,000 in new money to finance various capital improvements in and by the Borough; and (iii) pay the costs associated with the authorization, sale and issuance of the Bonds.

BOND ORDINANCES				
BOND ORDINANCE NUMBER	DESCRIPTION OF AND DATE OF ADOPTION OF BOND ORDINANCE	REFUNDING PROCEEDS	NEW MONEY PROCEEDS	TOTAL AMOUNT OF BOND PROCEEDS
2016-1409	Construction of a Fire House, finally adopted March 29, 2016.	\$4,400,000	\$455,000	\$4,855,000
2016-1413	Various capital improvements, finally adopted May 10, 2016.	1,400,000	0	1,400,000
2017-1425	Various capital improvements, finally adopted April 25, 2017.	1,135,000	52,500	1,187,500
2017-1430	Acquisition of property, finally adopted July 11, 2017.	665,000	0	665,000
2018-1447	Various capital improvements, finally adopted May 8, 2018.	<u>0</u>	<u>1,662,500</u>	<u>1,662,500</u>
	TOTAL:	\$7,600,000	\$2,170,000	\$9,770,000*

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 subject to a number of exceptions. 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 3-1/2% of its average equalized valuation basis. The Borough has not exceeded its statutory debt limit.

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.

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

* Includes \$465,000 of bond proceeds constituting original issue premium.

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 local 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 purpose 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.

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 real 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 next 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 results 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.

Upon the filing of certified adopted budgets by the Borough’s local school district and the County, the tax rate is struck by the Bergen County Board of Taxation (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’s Tax Collector. 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 and if a delinquency (including interest) is in excess of \$10,000.00 and remains in arrears after December 31, an additional flat penalty of 6% shall be charged against the delinquency. 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

New Jersey statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to November 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 Board of Taxation on or before January 15 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are concluded prior to the issuance of tax bills. 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 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 Director. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within 30 days of its submission.

FINANCIAL STATEMENTS

Appendix B contains certain audited financial data of the Borough for the fiscal year ending December 31, 2017. The audited financial data was extracted from the report prepared by Lerch, Vinci & Higgins, LLP, Fair Lawn, New Jersey (the "Auditor"), to the extent and for the period set forth in their report appearing in Appendix B to this Official Statement. The Auditor has not participated in the preparation of this Official Statement, nor has such firm verified the accuracy, completeness or fairness of the information contained herein (except for the audited financial data appearing in Appendix B hereto) and, accordingly, will express no opinion with respect thereto. See "APPENDIX B - Financial Statements of the Borough of Montvale, in the County of Bergen, New Jersey".

LITIGATION

To the best of knowledge of the Borough Attorney, Philip N. Boggia, Esquire, of Boggia & Boggia, LLC, Ridgefield Park, New Jersey (the "Borough Attorney"), after reasonable inquiry there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the 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 the collection of taxes, or contesting the corporate existence or the boundaries of the Borough or the title of any of the present officers. To the best of 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. A certificate to such effect will be executed by the Borough Attorney and delivered to the Underwriter (as hereinafter defined) at the closing.

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. For corporations with tax years beginning after December 31, 2017, the corporate alternative minimum tax was repealed by federal legislation, Public Law No. 115-97 (the "Tax Cuts and Jobs Act") enacted on December 22, 2017, effective for tax years beginning after December 31, 2017. For tax years beginning before January 1, 2018, interest on the Bonds is not an item of tax preference for purposes of the corporate alternate minimum tax in effect prior to enactment of the Tax Cuts and Jobs Act; however, interest on Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal alternative minimum tax for tax years beginning before January 1, 2018 because of its inclusion in the adjusted current earnings of a corporate holder.

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 the effect of future changes in (i) 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.

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.

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.

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 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 ADVISERS REGARDING THE POTENTIAL IMPACT OF ANY PENDING OR PROPOSED FEDERAL OR STATE TAX LEGISLATION, REGULATIONS OR LITIGATION.

SECONDARY MARKET DISCLOSURE

The Borough, pursuant to the 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 Rule 15c2-12 of the Securities and Exchange Commission, as amended and interpreted from time to time (the "Rule"). Specifically, for so long as the Bonds remain outstanding (unless the Bonds have been wholly defeased), the Borough shall provide:

(a) On or prior to 270 days from the end of each fiscal year, beginning with the fiscal year ending December 31 of the year in which the Bonds are issued, to the Municipal Securities Rulemaking Board ("MSRB") through the Electronic Municipal Market Access Data Port ("EMMA"), 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) Borough indebtedness, (ii) property valuation information, and (iii) tax rate, levy and collection data. The audited financial information will be prepared in accordance with modified cash accounting as mandated by State of New Jersey statutory principles in effect from time to time or with generally accepted accounting principles as modified by governmental accounting standards as may be required by New Jersey law and shall be filed electronically and accompanied by identifying information with the MSRB.

(b) In a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB, 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 holders of the Bonds, 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; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Notice of failure of the Borough to provide required annual financial information on or before the date specified in the undertaking shall be sent in a timely manner to the MSRB.

If all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided pursuant to the Borough's undertaking, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Chief Financial Officer shall determine, in consultation with Bond Counsel, the application of the Rule or the exemption from the Rule for each issue of obligations of the Borough prior to their offering. Such officer is authorized to enter into additional written contracts or undertakings to implement the Rule and is further authorized to amend such contracts or undertakings or the undertakings set forth in the Resolution, provided such amendment is, in the opinion of nationally recognized bond counsel, in compliance with the Rule.

In the event that the Borough fails to comply with the Rule requirements or the written contracts or undertakings, the Borough shall not be liable for monetary damages, remedy being specifically limited to specific performance of the Rule requirements or the written contracts or undertakings therefor.

Within the five years immediately preceding the date of this Official Statement, the Borough previously failed to file, in accordance with the Rule, in a timely manner, under previous filing requirements a late filing notice in connection with its untimely filings of an underlying rating change in 2014. Such notice of event and late filing has since been filed with EMMA. The Borough appointed Phoenix Advisors, LLC in April of 2016 to serve as continuing disclosure agent.

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 creditors' 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.

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 view of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Borough provided the Rating Agency with certain information and materials concerning the Bonds and the Borough. There can be no assurance that the rating will be maintained for any given period of time or that the rating will 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.

UNDERWRITER

The Bonds have been purchased from the Borough, pursuant to the terms of the Borough's notice of sale, by Roosevelt & Cross, Inc. and Associates (the "Underwriter"), at a purchase price of \$9,770,666.48 (the "Purchase Price"). The Purchase Price reflects the par amount of the Bonds in the amount of \$9,305,000.00, plus an original issue premium in the amount of \$552,034.75 and less an Underwriter's discount in the amount of \$86,368.27. The Underwriter is obligated to purchase all of the Bonds if any are purchased.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at yields higher than the public offering yields set forth on the inside front cover

page, and such public offering yields may be changed, from time to time, by the Underwriter without prior notice.

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 an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the sale, the issuance and the delivery of the Bonds are subject to the approval of 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 on for the Borough by its Borough Attorney.

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 same to the Underwriter by certificates signed by the Mayor and Chief Financial Officer.

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.

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including any information additional to that contained herein, may be directed to Kenneth Sesholtz, Chief Financial Officer, Borough of Montvale, 12 Mercedes Drive, Montvale, New Jersey, 07645, (201) 391-5700 or the Municipal Advisor, Phoenix Advisors, LLC at 4 West Park Street, Bordentown, New Jersey 08505, (609) 291-0130.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement between the Borough and the purchasers or 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 the 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 this Official Statement is not guaranteed as to accuracy or completeness.

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

By: /s/ *Kenneth Sesholtz*

Kenneth Sesholtz
Chief Financial Officer

Dated: August 7, 2018

APPENDIX A

Economic and Demographic Information Relating to the Borough of Montvale, in the County of Bergen, New Jersey

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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 some of the most prestigious 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 Peat Marwick, Pentax Precision Instrument Corp., Reckitt Benckiser, 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 Highway No. 17.

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 two different stabling services, 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 United Water of New Jersey.

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 8th 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

For the years 2013 to 2017, 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:

	<u>Total Labor Force</u>	<u>Employed Labor Force</u>	<u>Total Unemployed</u>	<u>Unemployment Rate</u>
<u>Borough of Montvale</u>				
2017	4,017	3,869	148	3.7%
2016	3,999	3,839	160	4.0%
2015	3,868	3,718	150	3.9%
2014	3,796	3,616	180	4.7%
2013	3,860	3,640	220	5.7%
<u>County of Bergen</u>				
2017	483,324	464,527	18,797	3.9%
2016	484,167	463,988	20,179	4.2%
2015	485,316	463,223	22,093	4.6%
2014	479,448	453,688	25,760	5.4%
2013	477,410	443,734	33,676	7.1%
<u>State of New Jersey</u>				
2017	4,518,800	4,309,700	209,100	4.6%
2016	4,524,200	4,299,900	224,300	5.0%
2015	4,530,500	4,267,900	262,600	5.8%
2014	4,518,700	4,218,400	300,300	6.6%
2013	4,537,800	4,166,000	371,800	8.2%

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:

<u>Area</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017</u>
Borough of Montvale	7,318	6,946	7,034	7,844	8,724
County of Bergen	845,385	825,380	884,118	905,116	948,406
State of New Jersey	7,365,011	7,730,188	8,414,350	8,791,894	9,005,644

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

Income as of 2016

	<u>Median Household Income</u>	<u>Median Family Income</u>	<u>Per Capita Income</u>
Borough of Montvale	\$ 111,436	\$ 118,163	\$ 54,839
County of Bergen	88,487	107,465	44,978
State of New Jersey	73,702	90,757	37,538

Source: U.S. Census Bureau, 2012 – 2016 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, 2017

Municipal	
Equalized Valuation Basis (last 3 years average)	\$ 2,253,282,329
3 1/2% Borrowing Margin	78,864,882
Net Debt Issued, Outstanding and Authorized	11,364,520
Remaining Municipal Borrowing Capacity	67,500,362
Regional School	
3% Borrowing Margin	67,598,470
Debt, Issued, Outstanding and Authorized	5,119,898
Remaining School Borrowing Capacity	62,478,572
Local School	
3% Borrowing Margin	67,598,470
Debt, Issued, Outstanding and Authorized	2,829,640
Remaining School Borrowing Capacity	64,768,830

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>
2017	\$ 19,412,038	\$ 11,364,520	0.504%
2016	20,041,539	11,259,941	0.506%
2015	21,032,349	11,429,941	0.516%
2014	18,618,195	8,149,941	0.361%
2013	20,879,344	9,679,941	0.424%

Source: Borough of Montvale Annual Audit Reports

Statement of Indebtedness
As of December 31, 2017

GENERAL PURPOSES

Bonds Issued and Outstanding	\$ 3,355,000	
Bond Anticipation Notes	7,600,000	
Bonds and Notes Authorized But Not Issued	<u>507,500</u>	
		\$ 11,462,500

REGIONAL SCHOOL

Bonds Issued and Outstanding		5,119,898
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LOCAL SCHOOL

Bonds Issued, Outstanding and Authorized		<u>2,829,640</u>
--	--	------------------

TOTAL GROSS DEBT 19,412,038

STATUTORY DEDUCTIONS

Municipal Purpose	97,980	
Regional School	5,119,898	
Local School	<u>2,829,640</u>	
		<u>8,047,518</u>

TOTAL NET DEBT \$ 11,364,520

OVERLAPPING DEBT

County of Bergen (Note 1)	16,896,257
Bergen County Utilities Authority (2)	<u>2,073,764</u>

TOTAL OVERLAPPING DEBT \$ 18,970,021

GROSS DEBT

Per Capita (2017 - 8,724)	\$ 2,225
Percent of Net Valuation Taxable (2018 - \$2,059,761,422)	0.94%
Percent of Estimated True Value of Real Property (2018 - \$2,321,042,653)	0.84%

NET MUNICIPAL DEBT

Per Capita (2017 - 8,724)	\$ 1,303
Percent of Net Valuation Taxable (2018 - \$2,059,761,422)	0.55%
Percent of Estimated True Value of Real Property (2018 - \$2,321,042,653)	0.49%

OVERALL DEBT (Net and Overlapping Debt)

Per Capita (2017 - 8,724)	\$ 3,477
Percent of Net Valuation Taxable (2018 - \$2,059,761,422)	1.47%
Percent of Estimated True Value of Real Property (2018 - \$2,321,042,653)	1.31%

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 2017 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 2017 Annual Audit Report and Annual Debt Statement

BUDGET INFORMATION**Current Fund
(As Adopted)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Anticipated Revenues					
Fund Balance	\$ 4,175,000	\$ 4,075,000	\$ 3,500,000	\$ 4,750,000	\$ 2,800,000
Miscellaneous Revenues	3,398,820	3,222,960	2,575,707	3,140,160	2,451,530
Receipts from Delinquent Taxes	215,000	175,000	175,000	210,000	215,000
Amount to be Raised by Taxes for Support of Municipal Budget	<u>12,286,473</u>	<u>12,226,595</u>	<u>11,928,142</u>	<u>11,839,107</u>	<u>11,499,918</u>
	<u>\$ 20,075,293</u>	<u>\$ 19,699,555</u>	<u>\$ 18,178,849</u>	<u>\$ 19,939,267</u>	<u>\$ 16,966,448</u>
Appropriations					
Salaries and Wages	\$ 5,226,885	\$ 4,911,105	\$ 4,542,781	\$ 4,445,012	\$ 4,232,485
Other Expenses	9,177,906	9,350,911	9,023,818	7,931,257	7,653,232
Deferred Charges and Statutory Expenditures	1,532,691	1,030,512	1,044,852	992,956	952,199
Capital Improvement Fund	553,000	876,093	190,000	3,166,958	786,100
Municipal Debt Service	1,901,902	1,867,955	1,795,955	1,824,105	1,823,305
Reserve for Uncollected Taxes	<u>1,682,909</u>	<u>1,662,979</u>	<u>1,581,443</u>	<u>1,578,979</u>	<u>1,519,127</u>
	<u>\$ 20,075,293</u>	<u>\$ 19,699,555</u>	<u>\$ 18,178,849</u>	<u>\$ 19,939,267</u>	<u>\$ 16,966,448</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>
2017	\$ 5,768,520	\$ 4,175,000
2016	5,763,258	4,075,000
2015	5,175,233	3,500,000
2014	6,707,625	4,750,000
2013	5,686,888	2,800,000

Source: Borough of Montvale Annual Audit Reports

Current Tax Collections

<u>Year</u>	<u>Tax Levy</u>	<u>Collection During Year of Levy</u>	
		<u>Amount</u>	<u>Percent</u>
2017	\$ 47,695,925	\$ 47,391,306	99.36%
2016	47,142,888	46,325,189	98.26%
2015	45,649,731	45,255,293	99.13%
2014	44,886,245	44,616,258	99.39%
2013	42,207,847	41,812,770	99.06%

Source: Borough of Montvale Annual Audit Reports

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>
2017	\$ 18,945	\$ 487,708	\$ 506,653	1.06%
2016	17,711	699,345	717,056	1.52%
2015	16,500	239,956	256,456	0.56%
2014	15,320	254,638	269,958	0.60%
2013	14,151	368,739	382,890	0.91%

Source: Borough of Montvale Annual Audit Reports

Assessed Valuation of Property Owned by the Borough Acquired for Taxes

<u>Year</u>	<u>Amount</u>
2017	\$ 29,400
2016	29,400
2015	29,400
2014	29,400
2013	29,400

Source: Borough of Montvale Annual Audit Reports

Ten Largest Taxpayers

The ten largest taxpayers in the Borough and their 2018 assessed valuations are listed below:

<u>Taxpayer</u>	<u>Assessment</u>
KPMG Peat Marwick	\$ 47,550,000
Hekemian, Samuel Etals.	38,255,000
Terraza 18, LLC	38,015,900
Montvale Development Group	36,993,600
MSKCC Properties LLC NJ	35,991,100
Grand Prix Montvale	20,900,000
A. Sanzari Enterprises	17,653,000
Benjamin Moore & Co.	16,000,000
155 Montvale Partners, LLC	14,059,500
LSREF4 Rebound	13,250,100
	<u>\$ 278,668,200</u>

Percentage of 2018 Net Valuation Taxable 13.53%

Source: Borough of Montvale Tax Assessor.

Assessed Valuation Land Improvements by Class

<u>Year</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Value</u>	<u>Commercial</u>	<u>Apartment</u>	<u>Industrial</u>	<u>Total</u>
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
2016	40,981,600	1,400,530,900	1,957,100	562,631,600	17,653,000	11,044,100	2,034,798,300
2015	20,081,500	1,393,297,000	1,971,500	609,601,400	17,653,000	11,044,100	2,053,648,500
2014	25,314,100	1,375,114,800	1,971,500	576,034,600	17,653,000	11,044,100	2,007,132,100

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>
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
2016	2,034,798,300	2,467,175	2,037,265,475	94.01%	2,174,786,652
2015	2,053,648,500	2,513,505	2,056,162,005	91.22%	2,261,833,469
2014	2,007,132,100	2,166,301	2,009,298,401	88.72%	2,272,470,680

Source: Bergen County Abstract of Ratables and 2018 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>
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
2015		2.201		0.580		0.747		0.609		0.265
2014		2.181		0.577		0.750		0.590		0.264

Source: Borough of Montvale Annual Audit Reports and Tax Collector

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>
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
2015		45,649,731		12,304,340		15,355,756		12,515,347		5,474,288
2014		44,886,245		12,554,510		15,070,904		11,841,134		5,419,697

Source: Borough of Montvale Annual Audit Reports and Tax Collector

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APPENDIX B

Financial Statements of the Borough of Montvale, in the County of Bergen, New Jersey

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS

REGISTERED MUNICIPAL ACCOUNTANTS

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ADWOA BOACHIE, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Montvale, as of December 31, 2017 and 2016, and the related statements of operations and changes in fund balance - regulatory basis, the related statement of revenues - regulatory basis and statement 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, 2017 and 2016, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough's financial statements as of and for the years ended December 31, 2017 and 2016. The LOSAP Trust Fund financial activities are included in the Borough's Trust Funds, and represent 12.7 percent and 15.2 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2017 and 2016.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the "Basis for Qualified Opinion on Regulatory Basis of Accounting" paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of Montvale as of December 31, 2017 and 2016, and the results of operations and changes in fund balance – regulatory basis, 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.

Other Reporting Required by *Government Auditing Standards*

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

By/s/

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

Fair Lawn, New Jersey
May 8, 2018

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

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

The accompanying Notes are an Integral Part of these Financial Statements

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

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

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, 2017 AND 2016

	<u>2017</u>		<u>2016</u>	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modification</u>		<u>Modification</u>	
Fund Balance Anticipated	\$ 4,075,000	\$ 4,075,000	\$ 3,500,000	\$ 3,500,000
Miscellaneous Revenues				
Licenses				
Alcoholic Beverages	16,250	18,090	16,250	17,590
Other	20,000	55,095	20,000	40,520
Fees and Permits	175,000	158,124	180,000	185,345
Fines and Costs - Municipal Court	150,000	194,637	145,000	206,237
Interest and Costs on Taxes	55,000	73,780	55,000	70,862
Interest on Zinvestments and Deposits			200	390
Uniform Fire Safety Act Local Enforcement				
Fees	80,000	118,082	80,000	113,840
Uniform Construction Code Fees	850,000	1,013,852	260,000	1,060,297
Energy Receipts Tax	1,262,378	1,262,378	1,262,378	1,262,378
Municipal Court Shared Service	193,602	183,221	182,528	181,260
PVRSD Special Police Shared Service	27,504	27,504	10,000	12,078
Uniform Fire Safety Act - LEA Rebate	10,000	11,645		
Cable TV Franchise Fees	90,000	127,861	90,000	126,182
Sewer Agreement - Marriott Corporation	85,254	85,254	54,426	54,426
Hotel/Motel Tax	190,000	195,763	190,000	207,397
Public and Private Revenues Offset With				
Appropriations				
Clean Communities	17,689	17,689	20,821	20,821
Drunk Driving Enforcement Grant			4,452	4,452
County of Bergen - Chestnut Ridge	485,446	485,446		
County of Bergen - Huff Park	21,093	21,093		
FEMA - Generator	100,000	100,000		
Municipal Alliance on Alcoholism and				
Drug Abuse	9,876	3,201	9,876	2,546
Police Donation - KPMG	10,000	10,000		
Police Donation - Wegmans	18,680	18,680		
Recycling Tonnage Grant	7,462	7,462	8,392	8,392
Senior Citizens Activities	3,530	3,530	4,125	4,125
Alcohol Education	1,251	1,251	1,514	1,514
Body Armor Grant - State Share	2,264	2,264	2,352	2,352
Total Miscellaneous Revenues	3,882,279	4,195,902	2,597,314	3,583,004
Receipts from Delinquent Taxes	175,000	451,620	175,000	227,497
Sub-Total General Revenues	8,132,279	8,722,522	6,272,314	7,310,501
Amount to be Raised by Taxes for Support				
of Municipal Budget				
Local Tax for Municipal Purposes	11,463,762	13,450,536	11,199,138	12,671,156
Minimum Library Tax	762,833	762,833	729,004	729,004
Total Amount to be Raised by Taxes	12,226,595	14,213,369	11,928,142	13,400,160
Total General Revenues	\$ 20,358,874	\$ 22,935,891	\$ 18,200,456	\$ 20,710,661

The Accompanying Notes are an Integral Part of these Financial Statements

2017 STATEMENT OF EXPENDITURES

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u> <u>Modification</u>	<u>Paid or</u> <u>Charged</u>	<u>Reserved</u>	<u>Balance</u> <u>Cancelled</u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 25,000	\$ 25,000	\$ 25,000		
Road Improvement Fund	500,000	500,000	499,995	\$ 5	
Acquisition of Equipment - Police Department	25,000	25,000	19,987	5,013	
Acquisition of Vehicles & Equipment - UCC	160,000	160,000	138,680	21,320	
Various Office Improvements - UCC	145,000	145,000	78,392	66,608	
County of Bergen - Open Space - Huff Playground	21,093	21,093	21,093	-	
County of Bergen Chestnut Ridge		485,446	485,446		
FEMA-Federal (Generator Project)	-	100,000	100,000	-	-
Total Capital Improvements Excluded from "CAPS"	<u>876,093</u>	<u>1,461,539</u>	<u>1,368,593</u>	<u>92,946</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,630,000	1,630,000	1,630,000	-	
Interest on Bonds	152,455	152,455	152,450		\$ 5
Interest on Notes	85,500	85,500	85,500	-	-
Total Municipal Debt Service Excluded from "CAPS"	<u>1,867,955</u>	<u>1,867,955</u>	<u>1,867,950</u>	<u>-</u>	<u>5</u>
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorization					
Special Emergency Authorizations- 5 years (N.J.S.40A4-55)	22,000	22,000	22,000	-	-
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	<u>7,513,158</u>	<u>8,175,477</u>	<u>7,980,235</u>	<u>185,361</u>	<u>9,881</u>
Subtotal General Appropriations	18,036,576	19,120,895	18,089,030	1,021,984	9,881
Reserve for Uncollected Taxes	<u>1,662,979</u>	<u>1,662,979</u>	<u>1,662,979</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 19,699,555</u>	<u>\$ 20,783,874</u>	<u>\$ 19,752,009</u>	<u>\$ 1,021,984</u>	<u>\$ 9,881</u>
Budget as Adopted		\$ 19,699,555			
Appropriation by 40A:4-87		659,319			
Emergency Appropriation		<u>425,000</u>			
		<u>\$ 20,783,874</u>			

The Accompanying Notes are an Integral Part of these Financial Statements

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2016 STATEMENT OF EXPENDITURES

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY FUNCTIONS (Continued)					
First Aid Organization					
Other Expenses	\$ 34,000	\$ 34,000	\$ 29,454	\$ 4,546	
Emergency Management					
Salaries and Wages	3,500	3,500	2,563	937	
Other Expenses	17,300	17,300	3,766	13,534	
Uniform Fire Safety Act					
Salaries and Wages	47,500	47,500	45,620	1,880	
Other Expenses	10,300	10,300	8,483	1,817	
Prosecutor					
Other Expenses	12,480	12,480	12,480		
PUBLIC WORKS FUNCTIONS					
Road Repair and Maintenance					
Other Expenses	10,000	10,000		10,000	
Sewer System					
Other Expenses	10,000	40,000	4,936	35,064	
Garbage and Trash Removal					
Other Expenses	565,000	565,000	549,006	15,994	
Recycling					
Other Expenses	5,000	5,000	1,758	3,242	
Public Buildings and Grounds					
Salaries and Wages	26,400	26,400	26,394	6	
Other Expenses	50,000	55,000	51,503	3,497	
Maintenance of All Vehicles					
Other Expenses	35,000	35,000	20,705	14,295	
Municipal Services Act					
Other Expenses	17,000	17,000	15,412	1,588	

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
HEALTH AND HUMAN SERVICES FUNCTIONS					
Public Health Services					
Salaries and Wages	\$ 2,600	\$ 2,600	\$ 2,410	\$ 190	
Other Expenses	88,000	85,000	67,969	17,031	
Environmental Commission					
Salaries and Wages	1,450	1,450	1,170	280	
Other Expenses	1,050	1,050	528	522	
Animal Regulation					
Other Expenses	12,000	12,000	12,000		
Administration of Public Assistance					
Salaries and Wages	6,500	6,500	6,456	44	
Other Expenses	420	420	248	172	
PARK AND RECREATION FUNCTIONS					
Parks and Playgrounds					
Salaries & Wages	5,300	5,300	5,279	21	
Other Expenses	1,000	1,000		1,000	
Recreation Services and Programs					
Salaries and Wages	84,750	84,750	75,754	8,996	
Other Expenses	21,500	21,500	11,733	9,767	
Senior Citizen Van					
Salaries and Wages	23,000	23,000	14,481	8,519	
Senior Citizens					
Other Expenses	16,800	16,800	5,631	11,169	
Celebration of Public Events					
Other Expenses	27,500	27,500	27,375	125	
OTHER COMMON OPERATING FUNCTIONS					
PEOSHA Compliance					
Other Expenses	2,000	2,000		2,000	
Salary Adjustment Account	5,000				-
MUNICIPAL COURT FUNCTIONS					
Municipal Court Administration					
Salaries and Wages	95,736	97,236	93,957	3,279	
Other Expenses	9,232	12,232	8,296	3,936	

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

	<u>Appropriated</u>		<u>Expended</u>		<u>Unexpended</u>
	<u>Budget</u>	<u>Budget After</u>	<u>Paid or</u>	<u>Reserved</u>	<u>Balance</u>
		<u>Modification</u>	<u>Charged</u>		<u>Cancelled</u>
CAPITAL IMPROVEMENTS EXCLUDED FROM "CAPS"					
Capital Improvement Fund	\$ 150,000	\$ 150,000	\$ 150,000		
Improvements to Swim Pool Complex	<u>40,000</u>	<u>40,000</u>	<u>3,400</u>	<u>\$ 36,600</u>	<u>-</u>
Total Capital Improvements Excluded from "CAPS"	<u>190,000</u>	<u>190,000</u>	<u>153,400</u>	<u>36,600</u>	<u>-</u>
MUNICIPAL DEBT SERVICE - EXCLUDED FROM "CAPS"					
Payment of Bond Principal	1,595,000	1,595,000	1,595,000	-	
Interest on Bonds	<u>200,955</u>	<u>200,955</u>	<u>200,950</u>	<u>-</u>	<u>\$ 5</u>
Total Municipal Debt Service Excluded from "CAPS"	<u>1,795,955</u>	<u>1,795,955</u>	<u>1,795,950</u>	<u>-</u>	<u>5</u>
DEFERRED CHARGES - MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorization	50,000	50,000	50,000		
Special Emergency Authorizations- 5 years (N.J.S.40A4-55)	<u>22,000</u>	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>-</u>
Total Deferred Charges - Municipal - Excluded from "CAPS"	<u>72,000</u>	<u>72,000</u>	<u>72,000</u>	<u>-</u>	<u>-</u>
Total General Appropriations for Municipal Purposes - Excluded from "CAPS"	<u>6,843,995</u>	<u>6,873,102</u>	<u>6,772,250</u>	<u>93,517</u>	<u>7,335</u>
Subtotal General Appropriations	16,597,406	16,619,013	15,840,557	771,121	7,335
Reserve for Uncollected Taxes	<u>1,581,443</u>	<u>1,581,443</u>	<u>1,581,443</u>	<u>-</u>	<u>-</u>
Total General Appropriations	<u>\$ 18,178,849</u>	<u>\$ 18,200,456</u>	<u>\$ 17,422,000</u>	<u>\$ 771,121</u>	<u>\$ 7,335</u>
Budget as Adopted		\$ 18,178,849			
Appropriation by 40A:4-87		<u>21,607</u>			
		<u>\$ 18,200,456</u>			

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF MONTVALE
COMPARATIVE STATEMENTS OF REVENUES-REGULATORY BASIS
OPEN SPACE PRESERVATION TRUST FUND
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>		<u>2016</u>	
	<u>Budget After</u>	<u>Actual</u>	<u>Budget After</u>	<u>Actual</u>
	<u>Modifications</u>		<u>Modifications</u>	
	(Memo)		(Memo)	
Amount to be Raised by Taxation	\$ 102,383	\$ 103,914	\$ 101,863	\$ 104,371
Reserve Funds Utilized	<u>322,372</u>	<u>322,372</u>	<u>123,765</u>	<u>123,765</u>
	<u>\$ 424,755</u>	<u>\$ 426,286</u>	<u>\$ 225,628</u>	<u>\$ 228,136</u>

The Accompanying Notes are an Integral Part of these Financial Statements

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

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

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

	<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		\$ 184,679	\$ 184,679	
Maintenance of Land for Recreation and Conservation				
Other Expenses		40,949	40,949	
Reserve for Future Use	\$ 101,863	-	-	\$ -
	<u>\$ 101,863</u>	<u>\$ 225,628</u>	<u>\$ 225,628</u>	<u>\$ -</u>

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

B. Description of Regulatory Basis of Accounting

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property Tax Revenues/Receivables - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one-quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of December 31, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on April first in the year following the calendar year levy when the same became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing the property on a standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

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

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

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

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

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

Land and Buildings	Assessed Value
Machinery and Equipment	Replacement Cost

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

General Fixed Assets (Continued)

No depreciation has been provided for in the financial statements.

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2017 and 2016 the Borough Council increased the original budget by \$1,084,319 and \$21,607. The increase in 2017 was funded by additional aid allotted to the Borough in the amount of \$659,319 and emergency appropriations of \$175,000 for police salaries and \$250,000 for general liability settlement agreement. The increase in 2016 was funded by additional aid allotted to the Borough in the amount of \$21,607. In addition, the governing body approved several budget transfers during 2017 and 2016.

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2017 and 2016, the book value of the Borough's deposits were \$21,468,578 and \$16,730,158 and bank and brokerage firm balances of the Borough's deposits amounted to \$21,764,985 and \$16,983,424, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2017</u>	<u>2016</u>
Insured	\$ 21,764,985	\$ 16,983,424
	<u>\$ 21,764,985</u>	<u>\$ 16,983,424</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2017 and 2016, none of the Borough's bank balances were exposed to custodial credit risk.

B. Investments

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

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

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

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

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2017 and 2016, \$617,568 and \$508,509 of the Borough's investments was exposed to custodial credit risk as follows:

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

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2017 and 2016, the Borough's investment in Lincoln Financial Group, a subsidiary of Lincoln National Life Insurance Company was rated Baa1 by Moody's Investor Service.

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

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

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

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

NOTE 4 TAXES RECEIVABLE

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

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

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

NOTE 5 DUE TO/FROM OTHER FUNDS

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

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

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

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

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
<u>2017</u>			
Current Fund			
Emergency Authorizations	<u>\$ 425,000</u>	<u>\$ 425,000</u>	<u>-</u>
<u>2016</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	<u>\$ 22,000</u>	<u>\$ 22,000</u>	<u>-</u>

NOTE 7 FUND BALANCES APPROPRIATED

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

	<u>2017</u>		<u>2016</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 4,572,969	\$ 4,175,000	\$ 5,005,197	\$ 4,075,000
Non-Cash Surplus	<u>1,195,551</u>	<u>-</u>	<u>758,061</u>	<u>-</u>
	<u>\$ 5,768,520</u>	<u>\$ 4,175,000</u>	<u>\$ 5,763,258</u>	<u>\$ 4,075,000</u>

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

NOTE 8 FIXED ASSETS

A. General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2017 and 2016.

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

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

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

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

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .504% and .506% at December 31, 2017 and 2016, respectively.

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

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

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Borrowing Power

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

	<u>2017</u>	<u>2016</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 78,864,882	\$ 77,826,626
Net Debt	<u>11,364,520</u>	<u>11,259,941</u>
Remaining Borrowing Power	<u>\$ 67,500,362</u>	<u>\$ 66,566,685</u>

A. Long-Term Debt

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

General Obligation Bonds

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

General Obligation Bonds

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

	<u>2017</u>	<u>2016</u>
\$3,775,000, 2010 Refunding Bonds, due in annual installments of \$450,000 to \$465,000 through August, 2019, interest at 2.00% to 4.375%	\$ 905,000	\$ 1,370,000
\$3,695,000, 2011 Bonds, due in annual installments of \$425,000 to \$430,000 through December, 2021, interest at 2.00% to 2.50%	1,705,000	2,130,000
\$3,745,000, 2012 Refunding Bonds, due in annual installments of \$740,000 to \$745,000 through October, 2018, interest at 4.00%	<u>745,000</u>	<u>1,485,000</u>
	<u>\$ 3,355,000</u>	<u>\$ 4,985,000</u>

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

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2017 is as follows:

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

Changes in Long-Term Municipal Debt

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

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

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

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt

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

Bond Anticipation Notes

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

			Balance, December 31, <u>2015</u>	Renewals/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2016</u>
<u>2016</u>						
<u>General Capital Fund</u>						
Construction of New Firehouse	1.50%	8/25/2017		\$ 4,300,000		\$ 4,300,000
Various Capital Improvements	1.50%	8/25/2017	-	1,400,000	-	1,400,000
			<u>\$ -</u>	<u>\$ 5,700,000</u>	<u>\$ -</u>	<u>\$ 5,700,000</u>

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

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

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

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

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

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$596,393 and \$590,906 at December 31, 2017 and 2016, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

Changes in Other Long-Term Liabilities

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

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

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

Changes in Other Long-Term Liabilities (Continued)

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

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

Public Employees' Retirement System (PERS) – established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement healthcare for those eligible employees whose local employers elected to do so, to substantially all full-time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and, if applicable, 25 years for post-retirement healthcare coverage. PERS is a cost-sharing multi-employer defined benefit pension plan.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Other Pension Funds

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

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

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

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

Basis of Accounting

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

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

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

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 7.20% for PERS and 5.50% for DCRP of employee's annual compensation for 2017.

Annual Pension Cost (APC)

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

During the years ended December 31, 2017, 2016 and 2015, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS (1)</u>	<u>DCRP</u>
2017	\$ 646,651	\$ 214,978	\$ 11,423
2016	630,625	191,063	5,887
2015	565,954	249,631	3,932

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

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

Public Employees Retirement System (PERS)

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

For the year ended December 31, 2017 and 2016, the pension system has determined the Borough's pension expense to be \$243,186 and \$490,027, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$214,978 and \$191,063, respectively. At December 31, 2017 and 2016, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

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

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

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

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash Equivalents	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

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

Municipal Bond Rate * From July 1, 2040
and Thereafter

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2017 and 2016 calculated using the discount rate of 5.00% and 3.98%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00% and 2.98%, respectively) or 1-percentage-point higher (6.00% and 4.98%, respectively) than the current rate:

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

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2017 and 2016, the Borough reported a liability of \$12,651,520 and \$15,150,341, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2017, the Borough's proportionate share was .08195 percent, which was an increase of .00264 percent from its proportionate share measured as of June 30, 2016 of .07931 percent.

For the years ended December 31, 2017 and 2016, the pension system has determined the Borough pension expense to be \$1,493,458 and \$1,894,491, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$646,651 and \$630,625, respectively. At December 31, 2017 and 2016, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

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

Actuarial Assumptions

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

PFRS

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

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 and 2016, as reported for the years ended December 31, 2017 and 2016, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2017</u>		<u>2016</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%		
Cash	5.50%	1.00%	5.00%	0.87%
U.S. Treasuries	3.00%	1.87%	1.50%	1.74%
Investment Grade Credit	10.00%	3.78%	8.00%	1.79%
Mortgages			2.00%	1.67%
High Yield Bonds			2.00%	4.56%
Inflation-Indexed Bonds			1.50%	3.44%
US Equity	30.00%	8.19%	26.00%	8.53%
Non-US Developed Markets Equity	11.50%	9.00%	13.25%	6.83%
Emerging Markets Equity	6.50%	11.64%	6.50%	9.95%
Private Equity			9.00%	12.40%
Hedge Funds/Absolute Return			12.50%	4.68%
Real Estate (Property)			2.00%	6.91%
Commodities			0.50%	5.45%
Global Debt ex US			5.00%	-0.25%
REIT			5.25%	5.63%
Public High Yield	2.50%	6.82%		
Global Diversified Credit	5.00%	7.10%		
Credit Oriented Hedge Funds	1.00%	6.60%		
Debt Related Private Equity	2.00%	10.63%		
Debt Related Real Estate	1.00%	6.61%		
Private Real Asset	2.50%	11.83%		
Equity Related Real Estate	6.25%	9.23%		
Buyouts/Venture Capital	8.25%	13.08%		

Discount Rate

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

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

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

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

* The municipal bond return rate used is 3.58% and 2.85% as of the measurement dates of June 30, 2017 and 2016, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PFRS net pension liability as of December 31, 2017 and 2016 calculated using the discount rate of 6.14% and 5.55%, respectively, as well as what the Borough's proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.14% and 4.55 %, respectively) or 1-percentage-point higher (7.14% and 6.55%, respectively) than the current rate:

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

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2017 and 2016. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

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

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2017 and 2016, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,417,077 and \$1,272,253, respectively. For the years ended December 31, 2017 and 2016, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$173,340 and \$162,497, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$70,860 and \$48,749, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

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

NOTE 14 RISK MANAGEMENT

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

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

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

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

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

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

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

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

NOTE 15 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2017 and 2016. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2017 and 2016, the Borough reserved \$882,629 and \$650,166, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2017 and 2016, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2017 and 2016, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

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

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

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

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

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

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

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

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

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

Vesting and Benefits

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

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

Reporting Requirements

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

Interlocal Services Agreement

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

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

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

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

NOTE 18 TAX ABATEMENTS

For the years ended December 31, 2017 and 2016, the Borough provided property tax abatements through certain programs authorized under State statutes. This program includes the New Jersey Housing and Mortgage Financing Act (NJHMFA).

The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the years ended December 31, 2017 and 2016 the Borough abated property taxes totaling \$70,932 and \$69,608, respectively, under the NJHMFA program. The Borough received \$10,884 and \$9,140 in PILOT payments under this program for the years ended December 31, 2017 and 2016, respectively.

APPENDIX C

Form of Approving Legal Opinion of Bond Counsel

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_____, 2018

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 \$9,305,000 General Improvement Bonds, Series 2018 (the "Bonds"). 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 July 10, 2018 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 a valid and legally binding obligation of the Borough, payable in the first instance from the proceeds of the sale of the bonds in anticipation of which the Bonds are issued, but, if not so paid, payable ultimately from *ad valorem* taxes that may be levied upon all the taxable real 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 are 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 ("AMT"); however, during tax years beginning before January 1, 2018, interest on the Bonds held by a corporation (other than an S corporation, regulated investment company or real estate investment trust) may be indirectly subject to federal AMT because of its inclusion in the adjusted current earnings of a corporate holder. 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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