

REPORT OF AUDIT
BOROUGH OF NEW MILFORD
COUNTY OF BERGEN
DECEMBER 31, 2018

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BOROUGH OF NEW MILFORD

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BOROUGH OF NEW MILFORD

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of New Milford
County of Bergen, 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 New Milford in the County of Bergen, as of December 31, 2018 and 2017, the related statement of operations and changes in fund balance – regulatory basis for the years then ended, and the related statement of revenues – regulatory basis and statement of expenditures – regulatory basis of the various funds for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of New Milford on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

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 New Milford as of December 31, 2018, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 14 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$974,904 and \$1,057,060 for 2018 and 2017, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “*Basis for Qualified Opinion on Regulatory Basis of Accounting*” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balance sheets and account group as of December 31, 2018, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2018 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Emphasis of Matter

Adoption of New Accounting Principle

As discussed in Note 1 to the basic financial statements, during the year ended December 31, 2018, the Borough adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions (an Amendment of GASB Statement No. 45). As a result of the regulatory basis of accounting, described in the previous paragraph, the implementation of this statement only required financial statement disclosure. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of New Milford’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable Mayor and
Members of the Borough Council
Page 4.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2019 on our consideration of the Borough of New Milford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of New Milford's internal control over financial reporting and compliance.



Steven D. Wielkocz, C.P.A.
Registered Municipal Accountant
No. CROO413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

May 21, 2019

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2018 and 2017

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Current Fund:			
Cash and Investments	A-4	\$ 6,133,406	8,600,673
Cash - Change Funds	A-5	450	450
Due from State of N.J. (Ch. 20, P.L. 1971)	A-7	41,768	41,460
		<u>6,175,624</u>	<u>8,642,583</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-8	559,297	478,594
Tax Title Liens Receivable	A-9	6,480	7,854
Revenue Accounts Receivable	A-10	16,949	12,746
Accounts Receivable	A-11	102,072	11,263
Interfund Receivables:			
Animal License Trust Fund	A-12	8,398	3,587
Other Trust Fund	A-12	163,572	117,501
General Capital Fund	A-12	1,164	1,164
		<u>856,768</u>	<u>632,709</u>
Deferred Charges:			
Emergency Authorizations	A-13	25,000	
Federal and State Grant Fund:			
Due from Current Fund	A	61,064	71,962
Grants Receivable	A-23	28,076	23,592
		<u>89,140</u>	<u>95,554</u>
		<u>\$ 7,146,532</u>	<u>9,370,846</u>

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2018 and 2017

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund - Liabilities:			
Appropriation Reserves	A-3, A-14	1,094,086	1,019,730
Encumbrances Payable	A-15	471,447	585,408
Interfunds Payable:			
Open Space Trust Fund	A-12	186	78
General Capital Fund	A-12	271,380	
Federal and State Grant Fund	A-22	61,064	71,962
Prepaid Taxes	A-16	358,443	2,347,983
Reserve for Tax Appeals	A-17		11,549
Tax Overpayments	A-18	6,489	7,757
County Taxes Payable	A-19	10,614	4,511
Miscellaneous Reserves	A-21	6,925	4,082
		<u>2,280,634</u>	<u>4,053,060</u>
Reserve for Receivables and Other Assets	A	856,768	632,709
Fund Balance	A-1	<u>3,919,990</u>	<u>4,589,523</u>
Federal and State Grant Fund			
Encumbrances Payable	A-24	16,889	11,319
Appropriated Grant Reserves	A-24	67,058	47,829
Unappropriated Grant Reserves	A-25	5,193	36,406
		<u>89,140</u>	<u>95,554</u>
		<u>\$ 7,146,532</u>	<u>9,370,846</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Comparative Statement of Operations
and Changes in Fund Balance - Regulatory Basis

Current Fund

Year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 2,000,000	1,510,874
Miscellaneous Revenue Anticipated	2,879,132	2,893,130
Receipts from Delinquent Taxes	451,994	478,368
Receipts from Current Taxes	53,986,072	53,017,626
Non-Budget Revenue	299,521	650,305
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	847,549	1,002,560
Interfunds Returned	1,164	92,633
Liabilities cancelled	5,136	22,608
	<hr/>	<hr/>
Total Revenues and Other Income	60,470,568	59,668,104
Expenditures:		
Budget Appropriations:		
Operations:		
Salaries and Wages	8,612,190	8,253,607
Other Expenses	8,925,669	8,915,543
Capital Improvements	480,000	250,000
Municipal Debt Service	1,097,475	1,045,304
Deferred Charges and Statutory Expenditures	1,865,740	1,799,335
Local School District Tax	33,417,303	32,407,382
County Taxes	4,311,648	4,424,920
County Share of Added and Omitted Taxes	10,614	4,511
County Open Space Tax	183,471	183,167
Local Open Space Tax	78,843	78,967
Local Open Space Added Tax	186	78
Refund of Prior Year Taxes and Revenues	37,558	6,283
Interfunds Advanced	53,595	
Interfund Advances - Outside Duty Pay Owed	90,809	48,815
	<hr/>	<hr/>
Total Expenditures	59,165,101	57,417,912
Excess in Revenue	1,305,467	2,250,192

BOROUGH OF NEW MILFORD
Comparative Statement of Operations
and Changes in Fund Balance - Regulatory Basis

Current Fund

Year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred		
Charges to Budget of Succeeding Year	<u>25,000</u>	<u> </u>
Statutory Excess to Fund Balance	1,330,467	2,250,192
Fund Balance, January 1	<u>4,589,523</u>	<u>3,850,205</u>
	5,919,990	6,100,397
Decreased by Utilized as Anticipated Revenue	<u>2,000,000</u>	<u>1,510,874</u>
Fund Balance, December 31	<u>\$ 3,919,990</u>	<u>4,589,523</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Statement of Revenues - Regulatory Basis

Current Fund

Year ended December 31, 2018

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Fund Balance Anticipated	\$ 2,000,000	2,000,000	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	15,000	17,120	2,120
Other	40,000	41,403	1,403
Fees and Permits:			
Construction Code Official	180,000	358,044	178,044
Other	2,700	2,448	(252)
Fines and Costs - Municipal Court	170,000	201,005	31,005
Interest and Costs on Taxes	92,000	105,807	13,807
Energy Receipts Tax	1,615,078	1,615,078	
Interest on Investments and Deposits	3,500	5,368	1,868
Fire Safety Fees	9,000	10,584	1,584
Recreation Fees	65,000	81,895	16,895
Recycling Tonnage Grant	27,600	27,600	
Clean Communities Program	28,695	28,695	
Municipal Alliance	11,677	11,677	
Bulletproof Vest Partnership Program	4,095	4,095	
FM Global Fire Prevention Grant	2,363	2,363	
Title III	24,528	24,528	
Body Armor Grant	3,392	3,392	
Drive Sober or Get Pulled Over	5,500	5,500	
Life Hazard Use Fees	6,700	10,003	3,303
Cable TV Franchise Fee	232,569	232,569	
Recycling Revenue	25,000	25,094	94
Cell Tower Rent - Gaelic Communications	59,000	64,864	5,864
Total Miscellaneous Revenues	<u>2,623,397</u>	<u>2,879,132</u>	<u>255,735</u>
Receipts from Delinquent Taxes	<u>460,000</u>	<u>451,994</u>	<u>(8,006)</u>
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	<u>16,432,122</u>	<u>16,542,007</u>	<u>109,885</u>
Budget Totals	<u>\$ 21,515,519</u>	<u>21,873,133</u>	<u>357,614</u>

BOROUGH OF NEW MILFORD
Statement of Revenues - Regulatory Basis

Current Fund

Year ended December 31, 2018

Non Budget Revenue		299,521
		<u>22,172,654</u>
Allocation of Current Tax Collections:		
Revenue from Collections		\$ 53,986,072
Allocated to:		
School and County Taxes	\$ 37,923,036	
Local Open Space Tax	<u>79,029</u>	
		<u>38,002,065</u>
Balance for Support of Municipal Budget		15,984,007
Add: Appropriated Reserve for Uncollected Taxes		<u>558,000</u>
Amount for Support of Municipal Budget		<u>\$ 16,542,007</u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		449,315
Municipal Lien Redemption		<u>2,679</u>
		<u>\$ 451,994</u>
Fees and Permits - Other:		
Borough Clerk		<u>\$ 2,448</u>
Non-Budget Revenue:		
Bergen County Utility Authority		1,521
Housing		16,234
FEMA		25,743
Offsets not applied		60,137
Sale of Assets		6,384
Miscellaneous		34,752
Police - Outside Duty, Administrative Fee		152,000
Senior Citizen/Veteran Deduction Refunds		<u>2,750</u>
		<u>\$ 299,521</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations:</u>					
Operations within "CAPS"					
General Government					
General Administration:					
Salaries & Wages	\$ 52,500	52,500	49,458	3,042	
Mayor and Council:					
Salaries & Wages	14,500	14,500	14,500		
Other Expenses	7,500	7,500	7,500		
Municipal Clerk:					
Salaries & Wages	240,000	244,000	243,870	130	
Other Expenses	205,000	215,000	201,536	13,464	
Other Expenses - Other Equipment	30,000	30,000	13,001	16,999	
Municipal Court:					
Salaries & Wages	178,000	178,000	177,781	219	
Other Expenses	13,500	13,500	11,855	1,645	
Financial Administration:					
Other Expenses	50,000	50,000	49,054	946	
Audit Services	41,500	41,500	40,500	1,000	
Collection of Taxes:					
Salaries & Wages	202,000	202,000	192,377	9,623	
Other Expenses	30,400	30,400	24,591	5,809	
Assessment of Taxes:					
Salaries & Wages	59,250	59,250	57,663	1,587	
Other Expenses	16,600	16,600	7,742	8,858	
Legal Services & Costs:					
Other Expenses	110,000	110,000	85,895	24,105	
Engineering Services & Costs:					
Other Expenses	19,300	19,300	7,507	11,793	
Public Defender:					
Salaries and wages	7,000	7,000	5,250	1,750	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations:</u>					
Municipal Land Use Law (NJSA 40:55D-1)					
Planning Board:					
Salaries & Wages	7,000	3,480	330	3,150	
Other Expenses	17,000	17,000	8,551	8,449	
Zoning Board of Adjustment:					
Salaries & Wages	1,260	1,260	503	757	
Other Expenses	11,725	11,725	5,757	5,968	
Insurance					
Liability	70,000	70,000	45,267	24,733	
Liability (Bergen Joint Insurance Fund)	338,000	338,000	253,268	84,732	
Worker's Compensation Insurance (BJIF)	325,000	325,000	237,429	87,571	
Employee Group Insurance	2,220,000	2,187,000	2,019,943	167,057	
Health Benefit Waiver	19,500	22,500	22,370	130	
Disability Insurance	20,000	20,000	17,899	2,101	
Police Department:					
Salaries & Wages	4,965,000	4,965,000	4,733,764	231,236	
Other Expenses	317,700	317,700	289,863	27,837	
Emergency Management Services:					
Salaries & Wages	4,750	4,750	4,750		
Other Expenses	14,590	14,590	13,770	820	
Police Auxiliary	10,000	10,000	9,103	897	
Fire:					
Salaries & Wages	3,000	3,000	3,000		
Misc. Other Expenses	106,450	106,450	74,938	31,512	
First Aid Organization	26,000	26,000	26,000		
Holy Name Hospital	15,350	15,350	14,042	1,308	
Fire Official:					
Salaries & Wages	17,500	17,500	16,858	642	
Other Expenses	2,600	2,600	2,250	350	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations:</u>					
Public Works Functions					
Road Repairs and Maintenance:					
Salaries & Wages	1,825,000	1,840,000	1,837,958	2,042	
Other Expenses	225,000	250,000	232,165	17,835	
Garbage and Trash Removal:					
Other Expenses	890,000	890,000	842,870	47,130	
Recycling:					
Salaries & Wages	57,000	63,500	62,648	852	
Other Expenses	110,000	120,000	109,426	10,574	
Public Buildings and Grounds:					
Salaries & Wages	2,000	2,000	91,779	2,000	
Other Expenses	87,500	92,500		721	
Vehicle Maintenance:					
Other Expenses	150,000	150,000	135,891	14,109	
Health and Human Services					
Board of Health:					
Salaries & Wages	134,000	134,000	133,841	159	
Other Expenses	83,000	83,000	71,314	11,686	
Environmental Committee:					
Salaries & Wages	700	700	700		
Other Expenses	975	975	481	494	
Animal Control Services:					
Other Expenses	22,000	22,000	21,980	20	
Parks and Recreation Functions					
Recreation:					
Salaries & Wages	116,000	116,000	112,238	3,762	
Other Expenses	122,500	122,500	108,726	13,774	
Historical Commission					
Other Expenses	1,000	1,000	883	117	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations:</u>					
Shade Tree Commission					
Salaries & Wages	7,500	7,500	6,750	750	
Other Expenses					
Senior Citizen Program:					
Salaries & Wages	163,000	163,000	156,792	6,208	
Other Expenses	31,250	31,250	21,491	9,759	
Beautification Committee					
Other expenses	750	750	621	129	
Uniform Construction Code					
Salaries and wages	140,000	140,000	137,521	2,479	
Other expenses	11,250	11,250	9,271	1,979	
Rent Leveling Board:					
Salaries & Wages	750	750	675	75	
Other expenses	2,250	2,250		2,250	
Municipal Drug Alliance					
Other Expenses	500	500		500	
Unclassified:					
Celebration of Public Events:					
Other Expenses	6,000	6,000	5,196	804	
Utility Expenses and Bulk Purchases:					
Electricity	170,000	166,000	141,030	24,970	
Street Lighting	145,000	160,000	143,443	16,557	
Telephone	75,000	75,000	67,622	7,378	
Water	260,000	256,000	206,790	49,210	
Gas & Oil	120,000	140,000	118,439	21,561	
Accumulated Absences	400,000	400,000	400,000		
	<u>15,199,400</u>	<u>15,218,380</u>	<u>14,168,276</u>	<u>1,050,104</u>	
Total Operations within "CAPS"					
Detail:					
Salaries & Wages	8,640,210	8,612,190	8,342,477	269,713	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	Budget	Budget after Modification and Transfers	Paid or Committed	Reserved	Unexpended Balance Cancelled
<u>General Appropriations:</u>					
Other Expenses	6,559,190	6,606,190	5,825,799	780,391	
Total	15,199,400	15,218,380	14,168,276	1,050,104	
Deferred Charges:					
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	375,000	381,000	379,526	1,474	
Public Employees' Retirement System	431,110	431,110	431,109	1	
Police and Firemen's Retirement System of NJ	1,013,230	1,013,230	1,013,230		
DCRP	8,400	8,400	8,400		
Unemployment	32,000	32,000	32,000		
Total Deferred Charges and Statutory Expenditures	1,859,740	1,865,740	1,864,265	1,475	
Total General Appropriations for Municipal Purposes within "CAPS"	17,059,140	17,084,120	16,032,541	1,051,579	
Operations - Excluded from "CAPS"					
Bergen County Utilities Authority					
Service Charges - Operating	1,347,915	1,347,915	1,347,913	2	
Maintenance of Free Public Library	788,714	788,714	751,209	37,505	
LOSAP	75,000	75,000	70,000	5,000	
Total Other Operations - Excluded from "CAPS"	2,211,629	2,211,629	2,169,122	42,507	
Public and Private Programs Offset by Revenues					
Body Armor Replacement Program	3,392	3,392	3,392		
Title III	24,528	24,528	24,528		
Recycling Tonnage Grant	27,600	27,600	27,600		
Bullet Proof Vest Partnership	4,095	4,095	4,095		
FM Global Fire Prevention Grant	2,363	2,363	2,363		

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations:</u>					
Municipal Alliance	11,677	11,677	11,677		
Drive Sober or Get Pulled Over	5,500	5,500	5,500		
Clean Communities	28,695	28,695	28,695		
Total Public and Private Programs Offset by Revenues	<u>107,850</u>	<u>107,850</u>	<u>107,850</u>		
Total Operations-Excluded from "CAPS"	2,319,479	2,319,479	2,276,972	42,507	
Detail:					
Salaries and Wages					
Other Expenses	2,319,479	2,319,479	2,276,972	42,507	
Total	<u>2,319,479</u>	<u>2,319,479</u>	<u>2,276,972</u>	<u>42,507</u>	
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	400,000	400,000	400,000		
Engineering Design - Suez Field	80,000	80,000	80,000		
Total Capital Improvements - Excluded from "CAPS"	<u>480,000</u>	<u>480,000</u>	<u>480,000</u>		
Municipal Debt Service-Excluded from "CAPS"					
Payment of Bond Principal	695,000	695,000	695,000		
Interest on Bonds	253,900	253,920	253,900		20
Interest on Notes	75,000	75,000	74,136		864
New Jersey Environmental Infrastructure Trust: Repayments for Principal and Interest	75,000	75,000	74,439		561
Total Municipal Debt Service-Excluded from "CAPS"	<u>1,098,900</u>	<u>1,098,920</u>	<u>1,097,475</u>		<u>1,445</u>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,898,379</u>	<u>3,898,399</u>	<u>3,854,447</u>	<u>42,507</u>	<u>1,445</u>
Subtotal General Appropriations	20,957,519	20,982,519	19,886,988	1,094,086	1,445

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2018

<u>General Appropriations:</u>	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Reserve for Uncollected Taxes	558,000	558,000	558,000		
Total General Appropriations	<u>\$ 21,515,519</u>	<u>21,540,519</u>	<u>20,444,988</u>	<u>1,094,086</u>	<u>1,445</u>
Adopted Budget		21,478,961			
Emergency Authorization		25,000			
Amended per N.J.S.A. 40A: 4-87		36,558			
		<u>\$ 21,540,519</u>			
			Encumbrances \$ 471,447		
			Due to General Capital Fund 2,249		
			Reserve for Uncollected Taxes 558,000		
			Federal and State Grant Fund 107,850		
			Cash Disbursements <u>19,305,442</u>		
			<u>\$ 20,444,988</u>		

See accompanying notes to financial statements

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BOROUGH OF NEW MILFORD

Comparataive Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2018 and 2017

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Animal License Fund:			
Cash	B-1	\$ <u>23,443</u>	<u>19,305</u>
Other Trust Fund:			
Cash	B-1	<u>3,774,255</u>	<u>2,568,543</u>
Unemployment Compensation Insurance Fund:			
Cash	B-1	<u>133,143</u>	<u>105,518</u>
Medical Claims Trust:			
Cash	B-1	<u>88,453</u>	<u>130,143</u>
Community Development Trust Fund:			
Cash	B-1	<u>8</u>	<u>8</u>
Open Space Trust Fund:			
Cash	B-1	40,052	99,108
Due from Current Fund	B-9	186	78
Due from General Capital	B-9	<u>14,427</u>	<u>99,186</u>
		<u>54,665</u>	<u>99,186</u>
Recreation Trust Fund:			
Cash	B-1	<u>30,965</u>	<u>18,073</u>
Emergency Services Volunteer Length of Service Award Program			
Cash in Plan	B-1	919,290	999,510
Contribution Receivable	B-13	<u>55,614</u>	<u>57,550</u>
		<u>974,904</u>	<u>1,057,060</u>
		<u>\$ 5,079,836</u>	<u>3,997,836</u>

BOROUGH OF NEW MILFORD

Comparataive Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2018 and 2017

		<u>2018</u>	<u>2017</u>
<u>Liabilities and Reserves</u>			
Animal License Fund:			
Due to Current Fund	B-9	8,398	3,587
Reserve for Animal License Fund Expenditures	B-2	15,038	15,715
Due to State of New Jersey	B-3	7	3
		<u>23,443</u>	<u>19,305</u>
Other Trust Fund:			
Due to Current Fund	B-9	163,572	117,501
Reserve for Various Deposits	B-8	3,610,683	2,451,042
		<u>3,774,255</u>	<u>2,568,543</u>
Unemployment Compensation Insurance Fund:			
Reserve for Unemployment Compensation	B-5	133,143	105,243
Due to State of NJ	B-6		275
		<u>133,143</u>	<u>105,518</u>
Medical Claims Trust:			
Reserve for Payment of Medical Claims	B-7	88,453	130,143
Community Development Trust Fund:			
Due to County of Bergen	B-11		7
Reserve for Community Development Grant Expenditures	B-10	8	1
		<u>8</u>	<u>8</u>
Open Space Trust Fund:			
Reserve for Open Space Trust Expenditures	B-4	54,665	99,186
Recreation Trust Fund:			
Reserve for Expenditures	B-12	30,965	18,073
Emergency Services Volunteer Length of Service Award Program			
Net Assets Available for Benefits	B-14	974,904	1,057,060
		<u>\$ 5,079,836</u>	<u>3,997,836</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2018 and 2017

<u>Assets</u>	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
Cash and Investments	C-2,C-3	\$ 1,318,946	1,315,398
Deferred charges to future taxation:			
Funded	C-4	9,342,639	10,093,973
Unfunded	C-5	11,570,559	10,462,060
Grants and Contributions Receivable:			
Community Development Block Grant	C-6	86,886	
Bergen County Open Space Trust Fund	C-7	70,334	78,166
State Department of Transportation	C-8	113,982	202,877
Board of Education	C-9		70,000
Department of Homeland Security	C-10	750,000	
Green Acres Program	C-11	647,500	647,500
Interfunds Receivable	C-12	271,380	
		<u>\$ 24,172,226</u>	<u>22,869,974</u>

BOROUGH OF NEW MILFORD
Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2018 and 2017

	<u>Ref.</u>	<u>2018</u>	<u>2017</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds Payable	C-13	\$ 8,875,000	9,570,000
New Jersey Environmental Infrastructure Trust:			
Fund Loan Payable	C-14	151,639	182,973
Trust Loan Payable	C-15	316,000	341,000
Bond Anticipation Notes	C-16	9,882,900	6,683,900
Improvement authorizations:			
Funded	C-17	1,127,238	707,882
Unfunded	C-17	1,204,512	3,130,149
Interfunds Payable	C-12	14,427	1,164
Capital Improvement Fund	C-18	96,562	10,690
Reserve for:			
Legislative Grant	C-19		30,000
Grants Receivable	C-20	647,500	647,500
Payment of Debt/Notes	C-21		349,892
Contracts Payable	C-22	1,688,404	1,112,740
Preliminary Expenses	C-23		85,301
Fund Balance	C-1	<u>168,044</u>	<u>16,783</u>
		<u>\$ 24,172,226</u>	<u>22,869,974</u>

There were bonds and notes authorized but not issued on December 31, 2018 and 2017 in the amount of \$1,687,659 and \$3,778,160 respectively (Exhibit C-24)

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Schedule of Capital Fund Balance - Regulatory Basis

General Capital Fund

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Balance - December 31, 2017	\$ 16,783	16,602
Increased by:		
Grant Proceeds		181
Premium on Sale of Bond Anticipation Notes	112,270	
Liabilities Cancelled	38,991	
	<u>151,261</u>	<u>181</u>
Balance - December 31, 2018	<u>\$ 168,044</u>	<u>16,783</u>

See accompanying notes to financial statements

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BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Goodwill Assistance Trust Fund

December 31, 2018 and 2017

			<u>2018</u>	<u>2017</u>
	<u>Assets</u>			
Cash		E-1	\$ <u>20,013</u>	<u>18,708</u>
			\$ <u>20,013</u>	<u>18,708</u>
	<u>Liabilities</u>			
Reserve for Goodwill Assistance		E-2	\$ <u>20,013</u>	<u>18,708</u>
			\$ <u>20,013</u>	<u>18,708</u>

See accompanying notes to the financial statements.

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BOROUGH OF NEW MILFORD

Comparative Statement of General Fixed Assets - Regulatory Basis

General Fixed Assets Account Group

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
General fixed assets:		
Land	\$ 36,878,288	36,878,288
Buildings	4,654,387	4,654,387
Vehicles and equipment	<u>6,008,579</u>	<u>6,011,079</u>
Investment in general fixed assets	<u>\$ 47,541,254</u>	<u>47,543,754</u>

See accompanying notes to financial statements.

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BOROUGH OF NEW MILFORD, N. J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups 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 financial statements of the Borough of New Milford have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 the following separate funds which differ from the fund structure required by GAAP.

A. Reporting Entity

The Borough of New Milford (the "Borough") operates under a Mayor/Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose the will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

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

The Borough has the following funds and account groups:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

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

Animal Control Trust 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.

Municipal Open Space Trust - This fund is used to account for taxes raised to finance the acquisition and preservation of property.

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

Other Trust Funds - These funds are established to account for the assets and resources which are also 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 and deposited funds with the Borough as collateral.

Recreation Trust Fund - This fund is used to account for the resources and expenditures for recreation activities.

Medical Claims Trust Fund - This fund is used to account for the resources and expenditures for medical deductibles associated with the Borough's health, prescription and vision insurance plan.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Community Development Trust Fund - This fund is used to account for grant proceeds and related expenditures for Block Grant entitlements.

Emergency Services Volunteer Length of Service Award Plan (LOSAP) Trust Fund - This fund is used to account for the cumulative amount of each participant's length of service awards, including any income, gains, losses or increases or decreases in market value attributable to the investment of the participant's length of service awards.

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

Goodwill Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough that do not meet the requirements to be eligible for General Assistance pursuant to Title 44 of New Jersey Statutes.

General Fixed Asset Account Group - To account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

Basis of Accounting

A modified accrual basis of accounting is followed by the Borough of New Milford. 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 for municipalities by the Division differ in certain respects from accounting principles generally accepted in the United States of America (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County, and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on the 11th day of the 11th month in the current year taxes are levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. 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 taxes 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, reduced by an allowance for doubtful accounts.

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

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

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 for the current fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40A:4 et seq.

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

General Capital Fund
Trust Funds

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not 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. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. 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 2018, the Mayor and Council approved additional revenues and appropriations of \$36,558 in accordance with N.J.S.A. 40A:4-87 along with several budget transfers and an emergency authorization in the amount of \$25,000 for the replacement of the main electrical feed from the transformer to Borough Hall.

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 canceled 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, which should be recognized when due.

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

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. 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 be recorded as a long-term obligation.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market 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.

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.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at fair value and are limited by N.J.S.A. 40A:5-15.1(a).

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 and not when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

General Fixed Assets - The Borough of New Milford has developed a fixed assets accounting and reporting system, as promulgated by the Division of Local Government Services, which differs in certain respects from generally accepted accounting principles.

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 drainage systems are not capitalized.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital Funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

GAAP requires that fixed assets be capitalized at historical or estimated historical cost if actual historical cost is not available.

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 revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations 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.

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

For the year ended December 31, 2018, the Borough adopted Government Accounting Standards Board GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. As a result of adopting this Statement, the Borough was required to measure and disclose liabilities, deferred outflows of resources, deferred inflows of resources, and

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation, (continued)

Basis of Accounting, (continued)

expense/expenditures related to their post-employment benefits other than pensions. As a result of the regulatory basis of accounting previously described in Note 1, the implementation of this Statement only required financial statement disclosure. There exists no impact on the financial statements of the Borough.

C. Basic Financial Statements

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

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

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's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2018 and 2017, \$-0- of the Borough's bank balance of \$11,763,795 and \$13,089,971, respectively, was exposed to custodial credit risk.

Investments

Investment 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. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS, (continued)

Credit Risk

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the towns or bonds or other obligations of the local unit or units within which the town is located: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

Concentration of Credit Risk

The Borough places no limit on the amount the Borough may invest in any one issuer.

Unaudited Investments

As more fully described in Note 15, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2018 and 2017 amounted to \$919,290 and \$999,510, respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Fixed Income	\$263,335	\$288,170
Fidelity VIP Growth	49,329	97,786
LVIP SSgA S&P 500 Index Fund	412,934	460,941
All Others	<u>193,692</u>	<u>152,613</u>
Total	<u>\$919,290</u>	<u>\$999,510</u>

NOTE 3: TAXES RECEIVABLE

Receivables at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Property Taxes	<u>\$565,777</u>	<u>\$486,448</u>

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 3: TAXES RECEIVABLE, (continued)

In 2018 and 2017, the Borough collected \$451,994 and \$478,368 from delinquent taxes, which represented 93% and 95% of the prior year delinquent tax receivable balances.

NOTE 4: MUNICIPAL DEBT

Long-term debt as of December 31, 2018 and 2017 consisted of the following:

<u>2018</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2018</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable:					
General Obligation Debt	<u>\$9,570,000</u>	<u>\$</u>	<u>\$695,000</u>	<u>\$8,875,000</u>	<u>\$710,000</u>
Total Bonds Payable	<u>9,570,000</u>	<u> </u>	<u>695,000</u>	<u>8,875,000</u>	<u>710,000</u>
Other Liabilities:					
Pension Deferral	395,687		37,090	358,597	40,568
New Jersey Environmental Infrastructure					
Trust Loans Payable	523,973		56,334	467,639	56,334
Compensated Absences Payable	<u>2,539,816</u>	<u>335,275</u>	<u>322,619</u>	<u>2,552,472</u>	<u> </u>
Total Other Liabilities	<u>3,459,476</u>	<u>335,275</u>	<u>416,043</u>	<u>3,378,708</u>	<u>96,902</u>
	<u>\$13,029,476</u>	<u>\$335,275</u>	<u>\$1,111,043</u>	<u>\$12,253,708</u>	<u>\$806,902</u>
<u>2017</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable:					
General Obligation Debt	<u>\$10,240,000</u>	<u>\$</u>	<u>\$670,000</u>	<u>\$9,570,000</u>	<u>\$695,000</u>
Total Bonds Payable	<u>10,240,000</u>	<u> </u>	<u>670,000</u>	<u>9,570,000</u>	<u>695,000</u>
Other Liabilities:					
Pension Deferral	428,996		33,309	395,687	37,090
New Jersey Environmental Infrastructure					
Trust Loans Payable	580,307		56,334	523,973	56,334
Compensated Absences Payable	<u>2,420,946</u>	<u>405,560</u>	<u>286,690</u>	<u>2,539,816</u>	<u> </u>
Total Other Liabilities	<u>3,430,249</u>	<u>405,560</u>	<u>376,333</u>	<u>3,459,476</u>	<u>93,424</u>
	<u>\$13,670,249</u>	<u>\$405,560</u>	<u>\$1,046,333</u>	<u>\$13,029,476</u>	<u>\$788,424</u>

The Local Bond Law governs the issuance of bonds and notes to finance capital expenditures. General obligation bonds have been issued for the general capital fund. These bonds are reported in the funds which are expected to fund them. 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.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 4: MUNICIPAL DEBT, (continued)

The Borough's debt is summarized as follows:

	<u>Year 2018</u>	<u>Year 2017</u>	<u>Year 2016</u>
Issued:			
General Bonds, Notes and Loans	\$19,225,539	\$16,777,873	\$13,637,742
Less: Funds Temporarily Held to Pay			
Bonds and Notes		<u>349,892</u>	<u>106,392</u>
Net Debt Issued	<u>19,225,539</u>	<u>16,427,981</u>	<u>13,531,350</u>
Authorized But Not Issued:			
General Bonds and Notes	<u>1,687,659</u>	<u>3,778,160</u>	<u>4,295,060</u>
Total Authorized But Not Issued	<u>1,687,659</u>	<u>3,778,160</u>	<u>4,295,060</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$20,913,198</u>	<u>\$20,206,141</u>	<u>\$17,826,410</u>

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.128% for 2018.

<u>2018</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$889,871	\$889,871	\$0
General Debt	<u>20,913,198</u>		<u>20,913,198</u>
	<u>\$21,803,069</u>	<u>\$889,871</u>	<u>\$20,913,198</u>

Net Debt of \$20,913,198 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$1,854,637,422 = 1.128%.

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of 1.106% for 2017.

<u>2017</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$1,290,000	\$1,290,000	\$0
General Debt	<u>20,556,033</u>	<u>349,892</u>	<u>20,206,141</u>
	<u>\$21,846,033</u>	<u>\$1,639,892</u>	<u>\$20,206,141</u>

Net Debt of \$20,206,141 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$1,827,530,377 = 1.106%.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 4: MUNICIPAL DEBT, (continued)

BORROWING POWER UNDER N.J.S. 40A:2-6 AS AMENDED

	<u>2018</u>	<u>2017</u>
3 ½% of Equalized Valuation Basis (Municipal)	\$64,912,310	\$63,963,563
Net Debt	<u>20,913,198</u>	<u>20,206,141</u>
Remaining Borrowing Power	<u>\$43,999,112</u>	<u>\$43,757,422</u>

The Borough's long term debt consisted of the following at December 31, 2018:

Paid by Current Fund:

<u>General Obligation Bonds</u>	<u>2018</u>	<u>2017</u>
\$8,610,000 General Improvement Bonds - with an interest rate of 1.50% issued December 1, 2005, due through February 1, 2033	\$7,535,000	\$7,835,000
\$4,160,000 General Improvement Bonds - with an interest rate of 2.00% to 3.50% issued May 1, 2009, due through May 1, 2021	<u>1,340,000</u>	<u>1,735,000</u>
	<u>\$8,875,000</u>	<u>\$9,570,000</u>

The Borough has entered into a loan agreement with the New Jersey Environmental Infrastructure Trust for the financing related to the Borough's sanitary sewer pipe lining and replacement project.

<u>General Capital</u>	<u>2018</u>	<u>2017</u>
\$575,000, 2010 Trust Loan, due in annual installments of \$20,000 to \$33,000 through August 1, 2030, interest at 4.00%-5.00%	\$316,000	\$341,000
\$616,250, 2010 Fund Loan, due in annual installments of \$10,445 to \$20,890 through August 1, 2023, no interest	<u>151,639</u>	<u>182,973</u>
	<u>\$467,639</u>	<u>\$523,973</u>

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 4: MUNICIPAL DEBT, (continued)

SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST BONDED DEBT ISSUED AND OUTSTANDING LOANS

<u>Year</u>	<u>Total</u>	<u>New Jersey Environmental Infrastructure Trust Loans</u>		<u>General Serial Bonds</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$1,022,740	\$56,334	\$21,000	\$710,000	\$235,406
2020	1,023,079	53,335	19,750	735,000	214,994
2021	1,029,679	53,335	18,250	765,000	193,094
2022	829,866	53,335	17,550	580,000	178,981
2023	812,131	48,300	16,450	580,000	167,381
2024-2028	3,647,487	137,000	63,550	2,805,000	641,937
2029-2033	<u>3,027,225</u>	<u>66,000</u>	<u>15,350</u>	<u>2,700,000</u>	<u>245,875</u>
	<u>\$11,392,207</u>	<u>\$467,639</u>	<u>\$171,900</u>	<u>\$8,875,000</u>	<u>\$1,877,668</u>

At December 31, 2018 and 2017, the Borough had authorized but not issued debt of \$1,687,659 and \$3,778,160, respectively.

NOTE 5: BOND ANTICIPATION NOTES

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of which such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

On December 31, 2018, the Borough had \$9,882,900 in outstanding bond anticipation notes which matured on April 12, 2019 at 3.00% and were subsequently renewed at a rate of 3.00% with a maturity date of April 12, 2019.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 5: BOND ANTICIPATION NOTES, (continued)

The following activity related to bond anticipation notes occurred during the calendar years ended December 31, 2018 and 2017:

<u>2018</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
TD Securities, LLC	\$	\$9,882,900	\$	\$9,882,900
TD Bank, N.A.	<u>6,683,900</u>		<u>6,683,900</u>	<u>6,683,900</u>
	<u>\$6,683,900</u>	<u>\$9,882,900</u>	<u>\$6,683,900</u>	<u>\$9,882,900</u>
<u>2017</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
TD Bank, N.A.	<u>\$2,817,435</u>	<u>\$6,683,900</u>	<u>\$2,817,435</u>	<u>\$6,683,900</u>

NOTE 6: SCHOOL TAXES

Local district school taxes have been raised on a calendar year basis and there is no deferred liability at December 31, 2018.

NOTE 7: PENSION PLANS

Description of Plans:

Borough employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the State of New Jersey Police and Firemen's Retirement System (PFRS); or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees' Retirement System (PERS), (continued)

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Police and Firemens' Retirement System (PFRS)

Plan Description

The State of New Jersey Police and Firemen's Retirement System (PFRS), is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey Division of Pensions and Benefits (the "Division"). For additional information about the PFRS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemens' Retirement System (PFRS), (continued)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:16A. PFRS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for disability benefits, which vest after 4 years of service. The following represents the membership tiers for PFRS:

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

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

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2018	\$415,924	\$956,405	\$7,760
2017	382,189	890,896	8,000
2016	359,705	994,385	7,000

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements.

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, 2018, the Borough had a liability of \$9,043,564 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion 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. At June 30, 2018, the Borough's proportion was .0459308939 percent, which was an increase of .00147018 percent from its proportion measured as of June 30, 2017.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

For the year ended December 31, 2018, the Borough recognized pension expense of \$415,924. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$172,462	\$46,632
Changes of assumptions	1,490,230	2,891,651
Net difference between projected and actual earnings on pension plan investments		84,829
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	849,458	50,815
Borough contributions subsequent to the measurement date	<u> </u>	<u> </u>
Total	<u>\$2,512,150</u>	<u>\$3,073,927</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$62,767
2020	(86,902)
2021	(623,156)
2022	(540,162)
2023	(172,967)

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees Retirement System (PERS), (continued)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$4,684,852,302	\$6,424,455,842
Collective deferred inflows of resources	7,646,736,226	5,700,625,981
Collective net pension liability	19,689,501,539	23,278,401,588
Borough's Proportion	.04593089%	.0444607106%

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	2.25 Percent
Salary Increases:	
Through 2026	1.65-4.15 Percent (based on age)
Thereafter	2.65-5.15 Percent (based on age)
Investment Rate of Return	7.00 Percent

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees Retirement System (PERS), (continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return, (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees Retirement System (PERS), (continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2018, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>4.66%</u>	<u>5.66%</u>	<u>6.66%</u>
Borough's proportionate share of the pension liability	\$11,371,239	\$9,043,564	\$7,090,792

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

Police and Firemen's Retirement System (PFRS)

At December 31, 2018, the Borough had a liability of \$14,732,741 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion 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. At June 30, 2018, the Borough's proportion was .1088761728 percent, which was an increase of .0008100651 percent from its proportion measured as of June 30, 2017.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (continued)

For the year ended December 31, 2018, the Borough recognized pension expense of \$956,405. At December 31, 2018, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference in actual and expected experience	\$149,886	\$60,968
Changes of assumptions	1,264,608	3,775,747
Net difference between projected and actual earnings on pension plan investments		80,601
Changes in proportion and differences between Borough contributions and proportionate share of contributions	148,672	520,569
Borough contributions subsequent to the measurement date	_____	_____
Total	<u>\$1,563,166</u>	<u>\$4,437,885</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2018) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$1,267,040
2020	(427,110)
2021	(1,194,898)
2022	(767,042)
2023	(240,475)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.73, 5.59, 5.58, 5.53 and 6.17 years for 2018, 2017, 2016, 2015 and 2014 amounts respectively.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (continued)

Additional Information

Local Group Collective balances at June 30, 2018 and June 30, 2017 are as follows:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Collective deferred outflows of resources	\$1,988,215,695	\$2,941,952,753
Collective deferred inflows of resources	4,286,994,294	3,262,432,093
Collective net pension liability	13,531,648,591	17,167,260,198
Borough's Proportion	.1088761728%	.1080661077%

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation	2.25 Percent
Salary Increases:	
Through 2026	2.10-8.98 Percent (based on age)
Thereafter	3.10-9.98 Percent (based on age)
Investment Rate of Return	7.00 Percent

Mortality Rates

Preretirement mortality rates were based on the RP-2000 Combined Healthy Mortality tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scale thereafter. For preretirement accidental mortality, a custom table with representative rates was used and there is no mortality improvement assumed. Post-retirement mortality rates for male service retirements are based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis using Projection Scale AA from the base year of 2012 to 2013 and the Conduent modified 2014 projection scale thereafter. Postretirement mortality rates for female service retirements and beneficiaries were based on the RP-2000 Combined Healthy Mortality Tables projected on a generational basis from the base year of 2000 to 2013 using Projection Scale BB and the Conduent modified 2014 projection scales thereafter. Disability mortality rates were based on a custom table with representative rates and no mortality improvement assumed.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (continued)

Mortality Rates, (continued)

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 PFRS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
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%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.51% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.87% as of June 30, 2018 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the non-employer contributing entity will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through June 30, 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2062, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2018 calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2018		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>5.51%</u>	<u>6.51%</u>	<u>7.51%</u>
Borough's proportionate share of the pension liability	\$22,396,303	\$14,732,741	\$12,063,523

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 7. PENSION PLANS, (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, 2018 and 2017, the State proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$2,001,199 and \$1,868,672, respectively. For the years ended December 31, 2018 and 2017, 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 \$142,173 and \$228,581, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$118,519 and \$93,442, 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 pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2018 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2019 were as follows:

Current Fund	<u>\$1,500,000</u>
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BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 9: FIXED ASSETS

The following is a summary of changes in the general fixed asset account group for the years ended December 31, 2018 and 2017:

<u>2018</u>	<u>Balance Dec.31, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec.31, 2018</u>
Land	\$36,878,288	\$	\$	\$36,878,288
Buildings and Improvements	4,654,387			4,654,387
Machinery and Equipment	<u>6,011,079</u>	<u>53,500</u>	<u>56,000</u>	<u>6,008,579</u>
	<u>\$47,543,754</u>	<u>\$53,500</u>	<u>\$56,000</u>	<u>\$47,541,254</u>
<u>2017</u>	<u>Balance Dec.31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec.31, 2017</u>
Land	\$36,878,288	\$	\$	\$36,878,288
Buildings and Improvements	4,654,387			4,654,387
Machinery and Equipment	<u>5,512,820</u>	<u>498,259</u>	_____	<u>6,011,079</u>
	<u>\$47,045,495</u>	<u>\$498,259</u>	<u>\$</u>	<u>\$47,543,754</u>

NOTE 10: ACCRUED SICK AND VACATION BENEFITS

Under the existing policies and labor agreements of the Borough, employees are allowed to accumulated (with certain restrictions) unused vacation and sick pay over the life of their working careers and to redeem such unused leave time in cash upon death, retirement or by extended absence immediately preceding retirement.

It is estimated that the current cost of such unpaid compensation, which is unaudited, would approximate \$2,552,472. This amount is considered material to the financial statements, is not reported either as an expenditure or liability.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 11: INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2018 consist of the following:

\$157,822	Due to the Current Fund from the Other Trust Fund for the unallocated balances in the Net Payroll and Payroll accounts, interest on investments and outside police duty collections less deposits made to current in error that are owed to the Trust Funds.
8,398	Due to the Current Fund from the Animal License Trust Fund for the statutory excess calculation.
271,380	Due to the General Capital Fund from the Current Fund for grant receipts deposited in error, the reimbursement of expenses paid less interest earned on investments.
186	Due to the Municipal Open Space Trust Fund from the Current Fund for added/omitted taxes collected not turned over.
14,427	Due to the Municipal Open Space Trust Fund from the General Capital Fund for the unspent balance of the funding provided in Ordinance 2015-16.
<u>61,064</u>	Due to the Federal and State Grant Fund from the Current Fund for grants received less reimbursement of expenses paid.
<u>\$513,277</u>	

It is anticipated that all interfunds will be liquidated during the fiscal year.

NOTE 12: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2018 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough of New Milford is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Borough has established a medical claims trust fund to fund certain deductibles associated with the Borough's health, prescription and vision plans, a group insurance benefit plan for its employees and their eligible dependents. As of December 31, 2018 and 2017, the Borough has available in the Medical Claims Trust Fund \$88,453 and \$130,143, respectively, for the payment of these claims.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 12: RISK MANAGEMENT, (continued)

The Borough of New Milford is a member of the Bergen County Municipal Joint Insurance Fund (the "JIF"). The JIF is a self-administered group of municipalities established for the purpose of providing certain low-cost general liability, automobile liability and workers' compensation insurance coverage for member municipalities. The Borough of New Milford pays an annual assessment to the JIF and should it be determined that payments received by the JIF are deficient, additional assessments may be levied.

The JIF can declare and return excess surplus to members upon approval of the State of New Jersey Department of Insurance. These distributions would be divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions may be used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The Borough of New Milford is also a member of the Municipal Excess Liability Joint Insurance Fund (the "MEL"). The MEL provides excess insurance coverage for claims for general liability, automobile liability and workers' compensation.

The JIF's members are also members of the New Jersey Municipal Environmental Risk Management Fund which provides commercial insurance coverage for environmental impairment liability.

The JIF provides Property coverage (i.e. Boiler and Machinery, Flood, Valuable Papers, etc.) to its members by participating in a state-wide joint purchase program arranged by the MEL acting as a lead agency.

Financial statements for the Funds are available at the office of the Funds' Executive Director, Public Entity Risk Management Administration, Inc.

The Borough of New Milford continues to carry commercial insurance coverage for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal 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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 12: RISK MANAGEMENT, (continued)

the State. The following is a summary of Borough contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Borough's unemployment compensation trust fund for the current and previous two years:

<u>Year Ended December 31,</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$32,000	\$12,263	\$16,428	\$133,143
2017	32,000	13,735	28,400	105,243
2016	32,000	6,755	15,159	87,860

NOTE 13: TAXES COLLECTED IN ADVANCE

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	<u>Balance Dec 31, 2018</u>	<u>Balance Dec 31, 2017</u>
Prepaid Taxes	<u>\$358,443</u>	<u>\$2,347,983</u>
Cash Liability for Taxes Collected in Advance	<u>\$358,443</u>	<u>\$2,347,983</u>

NOTE 14: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP)

The Borough of New Milford Length of Service Award Plan (the Plan) was created by a Borough ordinance adopted on December 5, 2000 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 New Milford 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 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 14: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP), (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 New Milford has contributed \$1,426 and \$1,404 for 2018 and 2017, respectively, for each eligible Volunteer Fire Department and Volunteer Ambulance Corps member into the Plan.

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

Lincoln financial 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 Funds.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 15: COMMITMENTS AND CONTINGENT LIABILITIES

The Borough is a defendant in various legal proceedings. A portion of these cases, if decided against the Borough, would be covered by insurance. Any judgements not covered by insurance would be raised by future taxation. The Borough expects such amounts, if any, to be immaterial.

NOTE 16: CLAIMS AND JUDGEMENTS

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, 2018, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds on the overall financial position of the Borough.

NOTE 17: OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the pension benefits described in Note 7, the Borough provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost.

General Information about the OPEB Plan

The Borough's defined benefits OPEB plan provides OPEB for all employee's that retire with at least 25 years of service to the Borough. The plan is a single-employer defined benefit OPEB plan administered by the Borough. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The Borough provides post-employment medical and dental benefits for its eligible retirees and their spouses and dependents pre-age 65, and in some instances, non-DPW union employees and non-DPW employees who completed 30 years of service (25 years for pre-2015 hires); they receive coverage through age 68. The plan also reimburses deductible expenses of up to \$3,000 per year per person.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 17: OTHER POST EMPLOYMENT BENEFITS (OPEB), (continued)

Employees Covered by Benefit Terms: At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	18
Active employees	<u>77</u>
	<u>95</u>

Total OPEB Liability

At December 31, 2018, the Borough had a liability of \$10,498,423 for its OPEB liability. The OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Borough recognized OPEB expense of \$646,314. At December 31, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$239,408	\$ -0-
Changes of assumptions or other inputs	<u>-0-</u>	<u>-0-</u>
Total	<u>239,408</u>	<u>\$ -0-</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding changes in proportion) will be recognized in OBE expense as follows:

Year ended December 31:	
2019	\$26,601
2020	26,601
2021	26,601
2022	26,601
2023	26,601

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 17: OTHER POST EMPLOYMENT BENEFITS (OPEB), (continued)

Actual Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Funding Method: Entry age Normal, level % pay

Actuarial Assumptions

- | | | |
|----|-----------------|---|
| 1. | Valuation Date: | 1/1/2018 (12/31/2018 census) |
| 2. | Discount Rate: | 3.64% per annum
The S&P Municipal Bond 20-year
High Grade Rate Index as of 12/31/2018
(2.64% and 4.64% are illustrated for
sensitivity) |
| 3. | Salary Scale: | 3% per annum (for EAN) |
| 4. | Mortality: | RP-2014 mortality table
MP-2016 projection |
| 5. | Withdrawal: | Sarasson T-5 Table |
| 6. | Disability: | N/A |
| 7. | Retirement: | The following table illustrates the retirement
rates: |

A) Police (25 years of service required)	Retirement <u>Age (Svc)</u>	Retirement <u>Rates</u>
	55	50.0%
	56	3.0%
	57	3.0%
	58	3.0%
	59	3.0%
	60	5.0%
	61	5.0%
	62	100.0%

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 17: OTHER POST EMPLOYMENT BENEFITS (OPEB), (continued)

B) Non-Uniformed* (25 years of service required)	<u>Retirement Age (Svc)</u>	<u>Retirement Rates</u>
	55	5.0%
	56	5.0%
	57	5.0%
	58	5.0%
	59	5.0%
	60	5.0%
	61	5.0%
	62	100.0%

*Post 1/1/2015 hires require 30 years of service and attainment age 60

8. Health Care Cost Trend Rate: The following table illustrates the assumed health care trend rate for each future year:

<u>Year</u>	<u>Assumed Increase</u>
1	8.0%
2	7.5%
3	7.0%
4	6.5%
5	6.0%
6	5.5%
7+	5.0%

9. Marital - Actives: Wife is assumed to be same age as the husband. 70% of males and 50% of females are assumed married.

10. Participation Rate: 100% of eligible retirees are expected to participate.

11. Inflation Rate: 3% per annum

12. Deductible Reimbursement: Current and future retirees and dependents are expected to utilize 64% of the annual deductible.

Actuarial Funding Method: Market value

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 17: OTHER POST EMPLOYMENT BENEFITS (OPEB), (continued)

Amortization Basis: For experience gains/losses, over the average expected future working lifetime of the active group.

Changes in Net OPEB Liability FYE 2018

Discount Rate (Proj.) 3.64% FYE 12/31/2018
Investment Return Rate (Proj.) N/A; Index will apply

	Total OPEB <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net OPEB <u>Liability</u>
Balances at 1/1/2018	\$10,244,326	\$-0-	\$10,244,326
Change	253,917	-0-	253,917
Balances at 12/31/2018	10,498,243	-0-	10,498,423

TOTAL GASB #75 Expense for FYE 2018

A) GASB #75 Regular Expense

Service Cost	258,318
Interest Cost	361,395
Experience (Gain)/Loss Amort	26,601
Investment Loss Amort	-0-
 GASB #75 Annual OPEB Cost <u>Regular Expense</u>	 646,314

B) Prior Period Adjustment at 1/1/2018 (to Update to GASB #75)

Net OPEB Liability 1/1/2018	10,244,326
(Less) OPEB Obligations as of 12/31/2017 - GASB #45	(3,221,743)
Prior Period Adjustment at 1/1/2018	7,022,583

C) TOTAL GASB #75 Expense for FYE 2018 7,668,897

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following presents the Borough's total OPEB liability as well as what the Borough's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease <u>2.64%</u>	At Current Discount Rate <u>3.64%</u>	1% Increase <u>4.64%</u>
Borough's Total OPEB Liability	\$11,507,740	\$10,498,243	\$9,488,746

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2018 and 2017
(continued)

NOTE 17: OTHER POST EMPLOYMENT BENEFITS (OPEB), (continued)

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate:

The following presents the Borough's total OPEB liability as well as what the Borough's total OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rate (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Borough's Total OPEB Liability	\$9,515,008	\$10,498,243	\$11,660,889

Special Funding Situation PFRS With State Health Local Government Retired Employees Plan

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under chapter 271, P.L. 1989.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred inflows of resources or deferred outflows of resources to report in the financial statements of the local participating employers related to this legislation.

At December 31, 2018, the State's proportionate share of the net OPEB liability attributable to the Borough for the PFRS special funding situation is \$9,402,976 and the State's proportionate share of the OPEB expense for the PFRS special funding situation is \$284,639.

NOTE 18: SUBSEQUENT EVENT

The Borough has evaluated subsequent events through May 21, 2019, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA

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BOROUGH OF NEW MILFORD

Supplementary Data

Comparative Schedule of Tax Rate Information

		<u>2018</u>	<u>2017</u>	<u>2016</u>
Tax rate	\$	3.450	3.380	3.322
Apportionment of tax rate:				
Municipal		1.003	0.996	1.034
Municipal Open Space		0.011	0.005	0.005
Library		0.039	0.039	
County		0.274	0.291	0.286
Local school		<u>2.118</u>	<u>2.049</u>	<u>1.997</u>
Assessed valuation:				
2018			\$ 1,577,847,293	
2017			1,581,946,686	
2016			1,579,347,551	

Comparison of Tax Levies and Collections Currently

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax levy</u>	<u>Currently</u>	
		<u>Cash collections</u>	<u>Percentage of collection</u>
2018	\$ 54,564,221	53,986,072	98.94%
2017	53,522,196	53,017,626	99.06%
2016	52,594,859	52,079,708	99.02%

Delinquent Taxes and Tax Title Liens

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Year</u>		<u>Amount of tax title liens</u>	<u>Amount of delinquent taxes</u>	<u>Total delinquent</u>	<u>Percentage of tax levy</u>
2018	\$	6,480	559,297	565,777	1.04%
2017		7,854	478,594	486,448	0.91%
2016		17,552	484,097	501,649	0.95%

BOROUGH OF NEW MILFORD

Supplementary Data, Continued

Property Acquired by Tax Title Lien Liquidation

The value of properties acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

2018	\$	0
2017		0
2016		0

Comparative Schedule of Fund Balances

	<u>Year</u>		<u>Balance,</u> <u>Dec.31</u>	<u>Utilized</u> <u>in budget of</u> <u>succeeding</u> <u>year</u>
Current Fund	2018	\$	3,919,990	1,500,000
	2017		4,589,523	2,000,000
	2016		3,850,205	1,510,874
	2015		3,261,178	1,356,000
	2014		2,099,728	717,000

BOROUGH OF NEW MILFORD

Supplementary Data, Continued

Officials in Office and Surety Bonds

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>	<u>Amount of bond</u>	<u>Corporate surety</u>
Ann Subrizi	Mayor		
Michael Putrino	Council President		
Thea Sirocchi-Hurley	Councilwoman		
Randi Duffie	Councilwoman		
Ira Grotsky	Councilman		
Kelly Langschultz	Councilwoman		
Hedy Grant	Councilwoman		
Diana McLeod-Lindner	Chief Financial Officer	\$ 1,000,000	(A)
Christine Demiris	Borough Administrator/Clerk		
Denise Amoroso	Tax Collector/Assistant Treasurer	1,000,000	(A)
James Taormina	Construction Official		
Alan Silverman	Fire Subcode Official/Fire Marshall		
Andrew M. Cimiluca	Municipal Prosecutor		
Susan Armbruster-Stucke	Municipal Court Administrator	1,000,000	(A)
S. Gregory Moscaritolo	Municipal Court Judge	1,000,000	(A)
Patrick Wilkins	Tax Assessor		
Frank Ramaci	Chief of Police		
Vince Cahill	Superintendent of Public Works/Zoning Official		
John Heinemann	Recreation Director		
Irene Maury	Social Services Director		
Terrie McColl	Library Director	1,000,000	(A)

All bonds were examined and were for the period under audit.

(A) - Statutory positions are covered under the Bergen County Municipal Joint Insurance Fund (\$50,000) and Municipal Excess Liability Joint Insurance Fund (Excess Crime Policy - Public Employee Bond - \$950,000)

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BOROUGH OF NEW MILFORD
Schedule of Cash - Collector-Treasurer

Current Fund

Year ended December 31, 2018

		<u>Current Fund</u>
Balance - December 31, 2017	\$	8,600,673
Increased by Receipts:		
Taxes Receivable	\$ 51,996,078	
Municipal Liens Redeemed	2,679	
Revenue Accounts Receivable	2,770,111	
Non-Budget Revenue	299,521	
Due from State of New Jersey - Senior Citizens' and Veterans' Receivable	88,646	
Accounts Receivable - Outside Police Duty	340,694	
Tax Overpayments	179,538	
Prepaid Taxes	358,443	
Grants Receivable	63,620	
Fees Payable	23,194	
Petty Cash Returned	1,450	
Interfunds	319,117	
Unappropriated Grant Reserves	<u>5,193</u>	
		<u>56,448,284</u>
		65,048,957
Decreased by Disbursements:		
Petty Cash	1,450	
2018 Budget Appropriations	19,305,442	
2017 Appropriation Reserves	757,589	
Local District School Tax	33,417,303	
County Taxes	4,499,630	
Accounts Receivable - Outside Police Duty	532,503	
Reserve for Tax Appeals	11,549	
Refund of Tax Overpayments	173,298	
Fees Payable	20,351	
Interfunds	78,921	
Appropriated Grant Reserves	79,957	
Refund of Prior Year Taxes and Revenues	<u>37,558</u>	
		<u>58,915,551</u>
Balance - December 31, 2018	\$	<u><u>6,133,406</u></u>

BOROUGH OF NEW MILFORD

Schedule of Change Funds

Current Fund

Year ended December 31, 2018

Balance - December 31, 2017	\$ <u>450</u>
Balance - December 31, 2018	\$ <u><u>450</u></u>
<u>Analysis of Balance</u>	
Tax Collector	200
Borough Clerk	25
Municipal Court	200
Records Department	<u>25</u>
	\$ <u><u>450</u></u>

Schedule of Petty Cash Funds

Current Fund

Year ended December 31, 2018

Increased by:	
Cash Disbursements	\$ <u>1,450</u>
Decreased by:	
Cash Receipts	\$ <u><u>1,450</u></u>
<u>Analysis of Funds</u>	
Department of Public Works	200
Police Department	200
Tax Collector	500
Detective Bureau	500
Board of Health	<u>50</u>
	\$ <u><u>1,450</u></u>

BOROUGH OF NEW MILFORD

Schedule of Due from State of New Jersey -
Veterans' and Senior Citizens' Deductions

Current Fund

Year ended December 31, 2018

Balance - December 31, 2017		\$	41,460
Increased by:			
Senior Citizens', Veterans and Disabled Person			
Tax Deductions:			
Per Tax Billings	\$	88,250	
Allowed by Tax Collector		<u>1,750</u>	
			<u>90,000</u>
			131,460
Decreased by:			
Cash Received	\$	88,646	
Deductions Disallowed by Tax Collector		<u>1,046</u>	
			<u>89,692</u>
Balance - December 31, 2018		\$	<u><u>41,768</u></u>

BOROUGH OF NEW MILFORD
Schedule of Taxes Receivable and Analysis
of 2018 Property Tax Levy

Current Fund

Year ended December 31, 2018

Year	Balance, Dec.31, 2017	2018 Levy	Added Taxes	Collected 2017	Collected 2018	Senior Citizens' and Veterans' Deductions Allowed	Remitted or cancelled	Transferred to Tax Title Liens	Balance, Dec.31, 2018
2015	\$ 5,829								5,829
2016	10,746								10,746
2017	462,019				449,315		914	34	11,756
	478,594				449,315		914	34	28,331
2018		54,435,732	128,489	2,347,983	51,549,135	88,954	45,934	1,249	530,966
	\$ 478,594	54,435,732	128,489	2,347,983	51,998,450	88,954	46,848	1,283	559,297
				Overpayments Applied	2,372				
				Cash Receipts	51,996,078				
					\$ 51,998,450				
				Tax yield:					
				General purpose tax	\$ 54,435,732				
				Added taxes (R.S. 54:4-63.1 et seq.)	128,489				
					\$ 54,564,221				
				Tax levy:					
				Local district school tax (abstract)	\$ 33,417,303				
				County tax (abstract)	4,495,119				
				County tax for added taxes	10,614				
				Local tax for municipal purposes (abstract)	16,432,122				
				Local open space tax	78,843				
				Local open space added tax	186				
				Additional tax levy	130,034				
					\$ 54,564,221				

BOROUGH OF NEW MILFORD

Schedule of Tax Title Liens

Current Fund

Year ended December 31, 2018

Balance - December 31, 2017		\$	7,854
Increased by:			
Tax Sale	\$	34	
Interest and Costs		22	
Transfer from Taxes Receivable		<u>1,249</u>	
			<u>1,305</u>
			9,159
Decreased by:			
Redeemed			<u>2,679</u>
Balance - December 31, 2018		\$	<u><u>6,480</u></u>

BOROUGH OF NEW MILFORD

Schedule of Revenue Accounts Receivable

Current Fund

Year ended December 31, 2018

	Balance, Dec.31, <u>2017</u>	<u>Accrued</u>	<u>Collected</u>	Balance, Dec.31, <u>2018</u>
Clerk:				
Licenses:				
Alcoholic Beverages	\$	17,120	17,120	
Other		41,403	41,403	
Construction Code Official				
Fees and Permits		358,044	358,044	
Fees and Permits - Other		2,448	2,448	
Municipal Court				
Fines and Costs	12,746	205,208	201,005	16,949
Interest and Costs on Taxes		105,807	105,807	
Interest on Investments and Deposits		5,368	5,368	
Fire Safety Act Fees		10,584	10,584	
Recreation Fees		81,895	81,895	
Energy Receipts Tax		1,615,078	1,615,078	
Life Hazard Use Fees		10,003	10,003	
Recycling Revenue		25,094	25,094	
Cell Tower Rent - Gaelic Communications		64,864	64,864	
Cable TV Franchise Fee		232,569	232,569	
	<u>\$ 12,746</u>	<u>2,775,485</u>	<u>2,771,282</u>	<u>16,949</u>
		Interest on Investments	1,171	
		Cash Receipts	<u>2,770,111</u>	
			<u>\$ 2,771,282</u>	

BOROUGH OF NEW MILFORD

Schedule of Accounts Receivable - Outside Police Duty

Current Fund

Year Ended December 31, 2018

Balance - December 31, 2017		\$	11,263
Increased by:			
Overtime Paid for Outside Duty			<u>532,503</u>
			543,766
Decreased by:			
Cash Receipts from Other Trust Fund	\$	340,000	
Cash Receipts - Board of Education		694	
Due from Other Trust Fund		<u>101,000</u>	
			<u>441,694</u>
Balance - December 31, 2018		\$	<u><u>102,072</u></u>

BOROUGH OF NEW MILFORD

Schedule of Interfunds

Current Fund

Year ended December 31, 2018

	Due from/(to) Balance <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	Due from/(to) Balance <u>Dec. 31, 2018</u>
Animal License Trust	\$ 3,587	4,811		8,398
Other Trust Fund	117,501	101,901	55,830	163,572
Open Space Trust Fund	(78)	78,921	79,029	(186)
General Capital Fund	<u>1,164</u>	<u>1,171</u>	<u>273,715</u>	<u>(271,380)</u>
	<u>\$ 122,174</u>	<u>186,804</u>	<u>408,574</u>	<u>(99,596)</u>
Municipal Open Space Tax Collected			79,029	
Interest on Investments		2,072		
Outside Police Duty		101,000		
Grant Receipts due to General Capital			271,466	
Reimburse General Capital for Expenses Paid			2,249	
Prior Year Interfund Returned			8,179	
Cash Disbursements		78,921		
Cash Receipts			47,651	
Animal License Trust Fund - Statutory Excess		<u>4,811</u>		
		<u>\$ 186,804</u>	<u>408,574</u>	

BOROUGH OF NEW MILFORD

Schedule of Deferred Charges

Current Fund

Year Ended December 31, 2018

	Amount Resulting <u>from 2018</u>	Balance, Dec. 31, <u>2018</u>
Current Fund:		
Emergency Authorization - Replacement of Main Electrical Feed to Borough Hall	\$ <u>25,000</u>	<u>25,000</u>
	\$ <u><u>25,000</u></u>	<u><u>25,000</u></u>

BOROUGH OF NEW MILFORD

Schedule of Appropriation Reserves

Current Fund

Year ended December 31, 2018

	Balance, Dec.31, <u>2017</u>	Balance After Transfer or Modi- fication	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and wages within "CAPS":				
General Administration	\$ 3,631	3,631		3,631
Mayor and Council	50	50	50	
Municipal Clerk	322	322	322	
Collection of Taxes	4,336	4,336		4,336
Assessment of Taxes	1,278	1,278	555	723
Planning Board	5,192	5,193	30	5,163
Zoning Board of Adjustment	690	690	22	668
Fire Department	25	25		25
Fire Official	1,049	1,049		1,049
Road Repairs and Maintenance	23,800	23,800	5,792	18,008
Recycling	2,726	2,726		2,726
Public Buildings and Grounds	4,135	4,135		4,135
Board of Health	1,876	1,876		1,876
Environmental Committee	140	140		140
Recreation	6,681	6,681	330	6,351
Senior Citizen Program	6,289	6,289	2,059	4,230
Construction Code Official	2,307	2,307		2,307
Rent Leveling Board	450	600	450	150
Municipal Court	893	893	857	36
Public Defender	4,000	4,000		4,000
Library		27,540	27,540	
Police Department	195,986	195,986	14,340	181,646
Other expenses within "CAPS":				
Mayor Council				
Municipal Clerk	22,177	25,428	7,803	17,625
Financial Administration	2,383	2,383		2,383
Audit Services	6,000	6,000		6,000
Collection of Taxes	345	5,295	4,282	1,013
Assessment of Taxes	12,088	12,088	4,767	7,321
Legal Services and Costs	41,072	54,100	16,299	37,801
Engineering Services and Costs	2,784	8,384	7,651	733
Planning Board	3,953	6,569	4,690	1,879
Zoning Board of Adjustments	5,554	6,118	395	5,723
Liability	18,694	26,461	19,115	7,346
Liability - Bergen Joint Insurance Fund	11,574	92,813	81,365	11,448
Worker's Compensation Insurance	227	84,140	83,913	227
Employee Group Insurance	110,501	131,959	1,489	130,470

BOROUGH OF NEW MILFORD

Schedule of Appropriation Reserves

Current Fund

Year ended December 31, 2018

	Balance, Dec.31, 2017	Balance After Transfer or Modi- fication	Paid or Charged	Balance Lapsed
Health Benefit Waiver	491	491		491
Disability Insurance	20,000			
Police	42,826	72,035	27,274	44,761
Emergency Management Services	7,463			
Police Auxiliary	1,355	6,139	6,139	
Fire	19,811	35,927	35,286	641
Holy Name Hospital	40			
First Aid Organization		2,593	2,553	40
Fire Official	323	673	350	323
Fire - LOSAP		75,000	50,544	24,456
Emergency Management Services		12,212	4,052	8,160
Road Repairs and Maintenance	55,202	98,949	63,299	35,650
Garbage and Trash Removal	39,772	198,096	130,990	67,106
Recycling	4,349	10,305	4,828	5,477
Public Buildings and Grounds	3,203	10,923	9,212	1,711
Vehicle Maintenance	25,644	59,652	20,161	39,491
Board of Health	14,719	16,576	1,858	14,718
Environmental Committee	975	975		975
Animal Control Services	70	2,710	1,650	1,060
Recreation Services and Programs	7,535	47,062	43,263	3,799
Historical Commission	186	186		186
Shade Tree Committee	1,000	7,200	6,425	775
Senior Citizens' Program	4,119	6,142	484	5,658
Beautification Committee	3	3		3
Construction Code Official	2,724	2,958	936	2,022
Rent Leveling Board	1,938	1,938		1,938
Celebration Public Events	1,642	1,642		1,642
Street Lighting	16,199	16,199	14,232	1,967
Electricity	42,187	42,228	13,745	28,483
Telephone	1,353	7,614	5,328	2,286
Water	37,641	38,256	5,662	32,594
Gas and Oil	40,181	54,138	25,202	28,936
Sewer Outside CAP		6,405		6,405
Municipal Court	6,168	6,168		6,168
Statutory Expenditures:				
Social Security System (O.A.S.I.)	8,458	8,458		8,458
Total Appropriation Reserves	\$ 910,785	1,605,138	757,589	847,549
Appropriation Reserves		1,019,730		
Encumbrances		585,408		
		\$ 1,605,138		
		Cash \$ 757,589		

BOROUGH OF NEW MILFORD
Schedule of Encumbrances Payable
Current Fund
Year ended December 31, 2018

Balance - December 31, 2017	\$	585,408
Increased by:		
Charges to 2018 Appropriations		<u>471,447</u>
		1,056,855
Decreased by:		
Transferred to: Appropriation Reserves		<u>585,408</u>
Balance - December 31, 2018	\$	<u><u>471,447</u></u>

BOROUGH OF NEW MILFORD

Schedule of Prepaid Taxes

Current Fund

Year ended December 31, 2018

Balance - December 31, 2017	\$ 2,347,983
Increased by:	
Collection of 2019 Taxes	<u>358,443</u>
	2,706,426
Decreased by:	
Applied to 2018 Taxes Receivable	<u>2,347,983</u>
Balance - December 31, 2018	<u><u>\$ 358,443</u></u>

Schedule of Reserve for Tax Appeals

Current Fund

Year ended December 31, 2018

Balance - December 31, 2016	<u>\$ 11,549</u>
Decreased by:	
Cash Disbursements	<u><u>\$ 11,549</u></u>

BOROUGH OF NEW MILFORD

Schedule of Tax Overpayments

Current Fund

Year ended December 31, 2018

Balance - December 31, 2017		\$	7,757
Increased by:			
Cash receipts			<u>179,538</u>
			187,295
Decreased by:			
Applied to Current Year Taxes	\$	2,372	
Cash Disbursements		173,298	
Cancelled to Operations		<u>5,136</u>	
			<u>180,806</u>
Balance - December 31, 2018		\$	<u><u>6,489</u></u>

BOROUGH OF NEW MILFORD

Schedule of County Taxes Payable

Current Fund

Year ended December 31, 2018

Balance - December 31, 2017		\$	4,511
Increased by:			
2018 County Levy	\$	4,311,648	
2018 County Open Space Levy		183,471	
Due county for added and omitted taxes		<u>10,614</u>	
			<u>4,505,733.00</u>
			4,510,244
Decreased by:			
Cash Disbursements			<u>4,499,630</u>
Balance - December 31, 2018		\$	<u><u>10,614</u></u>

Schedule of Local District School Taxes Payable

Current Fund

Year ended December 31, 2018

Increased by:			
Levy - Calendar Year 2018	\$	<u>33,417,303</u>	
Decreased by:			
Payments	\$	<u><u>33,417,303</u></u>	

BOROUGH OF NEW MILFORD

Schedule of Miscellaneous Reserves and Payables

Current Fund

Year Ended December 31, 2018

<u>Reserve for</u>	Balance, Dec. 31, <u>2017</u>	<u>Increased by</u>	<u>Decreased by</u>	Balance, Dec. 31, <u>2018</u>
Marriage License Fees Payable	\$ 450	2,325	2,200	575
DCA Fees Payable	2,179	20,869	18,151	4,897
State Burial Fees	<u>1,453</u>	<u> </u>	<u> </u>	<u>1,453</u>
	<u>\$ 4,082</u>	<u>23,194</u>	<u>20,351</u>	<u>6,925</u>
		Cash Receipts 23,194		
		<u> </u>	<u>20,351</u>	
		<u>\$ 23,194</u>	<u>20,351</u>	

BOROUGH OF NEW MILFORD

Schedule of Due (from)/to Federal and State Grant Fund

Current Fund

Year Ended December 31, 2018

Balance - December 31, 2017		\$	71,962
Increased by:			
Grants Receivable	\$	63,620	
Grants Received - Unappropriated		5,193	
Cancelled Grant Receivable		<u>246</u>	
			<u>69,059</u>
			141,021
Decreased by:			
Cash Disbursements		68,638	
Prior Year Encumbrances Paid		<u>11,319</u>	
			<u>79,957</u>
Balance - December 31, 2018		\$	<u><u>61,064</u></u>

BOROUGH OF NEW MILFORD

Schedule of Federal and State Grants Receivable

Federal and State Grant Fund

Year ended December 31, 2018

	Balance, Dec. 31, <u>2017</u>	Grant Awards	Collected	Cancelled	Balance, Dec. 31, <u>2018</u>
FM Global Fire Prevention Grant	\$	2,363	2,363		
Recycling Tonnage Grant		27,600	27,600		
Drive Sober or Get Pulled Over	6,393		5,571	822	
Drive Sober or Get Pulled Over		5,500			5,500
Bullet Proof Vest Partnership Fund		4,095	4,095		
Click it or Ticket	246			246	
Clean Communities	2,177	28,695	28,695		2,177
Body Armor	1,924	3,392	3,392		1,924
Municipal Alliance	9,405	11,677	4,990	2,272	13,820
Title III - Senior Citizens		1,319	1,319		
Title III - Senior Citizens	3,447	23,209	22,001		4,655
	<u>\$ 23,592</u>	<u>107,850</u>	<u>100,026</u>	<u>3,340</u>	<u>28,076</u>
		Cash	63,620		
		Unappropriated Reserves	<u>36,406</u>		
			<u>\$ 100,026</u>		

BOROUGH OF NEW MILFORD

Schedule of Appropriated Reserves for Federal and State Grants

Federal and State Grant Fund

Year ended December 31, 2018

<u>Program</u>	Balance, Dec.31, <u>2017</u>	Transfer From 2017 <u>Budget</u>	<u>Expended</u>	<u>Canceled</u>	Balance, Dec.31, <u>2018</u>
Drunk Driving Enforcement Fund	\$ 577		504		73
Clean Communities	21,397	28,695	35,300		14,792
EPA Bonus Grant - Local Match	165				165
Body Armor Fund	389	3,392	3,640		141
Bullet Proof Vest Partnership Program	206	4,095	(910)		5,211
Municipal Stormwater Management	14				14
Recycling Tonnage Grant	7,236	27,600	14,832		20,004
Alcohol Education Rehabilitation	2,072				2,072
Municipal Alliance	9,380	11,677	4,990	2,272	13,795
Bergen County Environmental Energy			(400)		400
Title III - Senior Citizens		24,528	22,000		2,528
Drive Sober or Get Pulled Over					
Labor Day Crackdown	893		71	822	
Holiday Crackdown	5,500		5,500		
Holiday Crackdown		5,500			5,500
FM Global Fire Prevention Grant		2,363			2,363
	<u>\$ 47,829</u>	<u>107,850</u>	<u>85,527</u>	<u>3,094</u>	<u>67,058</u>
		Adopted Budget 71,292			
		Approved via N.J.S.A. 40a:4-87 36,558			
		<u>\$ 107,850</u>			
		Cash Disbursements 68,638			
		Encumbrances Payable 16,889			
			<u>\$ 85,527</u>		

BOROUGH OF NEW MILFORD

Schedule of Unappropriated Reserves for Federal and State Grants

Federal and State Grant Fund

Year Ended December 31, 2018

<u>Grant</u>	Balance, Dec. 31, <u>2017</u>	2018 Budget <u>Appropriation</u>	Cash <u>Received</u>	Balance, Dec. 31, <u>2018</u>
Recycling Tonnage Grant	\$ 27,600	27,600		
Bulletproof Vest Partnership	4,095	4,095	4,095	4,095
Title III - Senior Citizens	1,319	1,319		
Body Armor	3,392	3,392		
Alcohol Education and Rehabilitation			1,098	1,098
	<u>\$ 36,406</u>	<u>36,406</u>	<u>5,193</u>	<u>5,193</u>

BOROUGH OF NEW MILFORD
 Schedule of Trust Cash - Treasurer

Trust Funds

Year ended December 31, 2018

	Animal License Trust	Other Trust	Unemployment Compensation Insurance Fund	Medical Claims Trust Fund	Community Development Trust Fund	Open Space Trust Fund	Recreation Trust Fund	Emergency Services LOSAP Trust
Balance - December 31, 2017	\$ 19,305	2,568,543	105,518	130,143	8	99,108	18,073	999,510
Increased By Receipts:								
Reserve for Various Deposits		16,849,725				78		50,544
Due to/from Current Fund		901	32,000	382,830				
Borough Contribution			12,263			78,843		
Employee Payroll Deductions						23		
Open Space Taxes			65	38				
Interest on Investments and Deposits	12							
Gain on Investments								
Animal License Fees	6,099							
State Fees	1,198							
Recreation Receipts							79,689	
	7,309	16,850,626	44,328	382,868		78,944	79,689	50,544
	26,614	19,419,169	149,846	513,011	8	178,052	97,762	1,050,054
Decreased By Disbursements:								
Due to State of New Jersey - Unemployment Claims			16,703					
Dog License Fees	1,194							
Expenditures Under R.S. 4.19-15.11	1,977					138,000		
Open Space Trust Expenditures		47,651						
Due to Current Fund		15,597,263						
Reserve for Various Deposits				424,558				93,186
Medical Claims Expenditures								1,650
Benefit Payments								35,928
Account Service Charges								
Investment Losses								
Recreation Expenditures							66,797	
	3,171	15,644,914	16,703	424,558		138,000	66,797	130,764
	\$ 23,443	3,774,255	133,143	88,453	8	40,052	30,965	919,290

BOROUGH OF NEW MILFORD

**Schedule of Reserve
for Animal License Trust Fund Expenditures**

Trust Funds

Year ended December 31, 2018

Balance - December 31, 2017	\$	15,715
-----------------------------	----	--------

Increased by:

Dog License Fees Collected	\$	5,209
Cat License Fees Collected		507
Late Fees		381
Replacement Tags		2
Interest Earned		<u>12</u>

6,111

21,826

Decreased By:

Cash Disbursements	1,977
Statutory Excess due to Current Fund	<u>4,811</u>

6,788

Balance - December 31, 2018	\$	<u><u>15,038</u></u>
-----------------------------	----	----------------------

License fees collected

2016	8,137
------	-------

2017	<u>6,901</u>
------	--------------

\$ 15,038

BOROUGH OF NEW MILFORD

**Schedule of Due to/(from) State of New Jersey -
Animal License Trust Fund**

Trust Funds

Year ended December 31, 2018

Balance - December 31, 2017	\$ 3
Increased by:	
State License fees collected	<u>1,198</u>
	1,201
Decreased by:	
Paid to State of New Jersey	<u>1,194</u>
Balance - December 31, 2018	<u><u>\$ 7</u></u>

BOROUGH OF NEW MILFORD

Schedule of Reserve for Open Space Trust Expenditures

Trust Funds

Year ended December 31, 2018

Balance - December 31, 2017		\$	99,186
Increased By:			
Open Space Taxes	\$	78,843	
Added/Omitted Taxes		186	
Due from General Capital		14,427	
Interest		<u>23</u>	
			<u>93,479</u>
			192,665
Decreased By:			
Expenditures			<u>138,000</u>
Balance - December 31, 2018		\$	<u><u>54,665</u></u>

BOROUGH OF NEW MILFORD

**Schedule of Reserve for Unemployment
Compensation Insurance Claims**

Trust Funds

Year ended December 31, 2018

Balance - December 31, 2017		\$	105,243
Increased By:			
Employee payroll deductions	\$	12,263	
Budget Appropriation		32,000	
Interest		<u>65</u>	
			<u>44,328</u>
			149,571
Decreased By:			
Unemployment Claims Incurred			<u>16,428</u>
Balance - December 31, 2018		\$	<u><u>133,143</u></u>

BOROUGH OF NEW MILFORD
Schedule of Due to the State of New Jersey
Unemployment Insurance Fund

Trust Funds

Year ended December 31, 2018

Balance - December 31, 2017		\$	<u>275</u>
Decreased By:			
Payments		\$	<u><u>275</u></u>

Schedule of Reserve for Medical Claims Expenditures -
Medical Claims Trust Fund

Trust Funds

Year ended December 31, 2018

Balance - December 31, 2017		\$	130,143
Increased By:			
Cash Receipts	\$	382,830	
Interest Earned		<u>38</u>	
			<u>382,868</u>
			513,011
Decreased By:			
Medical Claim Expenditures			<u>424,558</u>
Balance - December 31, 2018		\$	<u><u>88,453</u></u>

BOROUGH OF NEW MILFORD

Schedule of Reserve for Various Deposits

Trust Funds

Year ended December 31, 2018

	Balance <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2018</u>
Escrow Deposits	\$ 128,197	32,529	37,708	123,018
Developer Escrow - Performance Bonds	659,748		261,838	397,910
Developer Escrow - Inspection Fees	74,670	39,500	72,081	42,089
Developer Escrow - Reserve for Interest	134	369	4	499
Tax Title Liens and Premiums	117,600	92,487	44,387	165,700
Landlord Emergency Repairs	22,500	875,000		897,500
Parking Offenses Adjudication Account	27,473	988		28,461
D.A.R.E. Trust	8,952	6,363	6,638	8,677
Drake Memorial Donations		100		100
Police - Unclaimed Property		1,791	762	1,029
Shade Tree	175			175
Junior Police Academy	12,858	8,393	5,433	15,818
Historic Preservation	15			15
Uniform Fire Code	2,076	1		2,077
Police Outside Duty	7,292	673,422	593,000	87,714
Beautification Donation	452			452
Insurance Proceeds/Other Deposits	853			853
Senior Center Donation	5,209	245	25	5,429
Public Defender	20,424	3,675		24,099
Storm Recovery	368,950			368,950
Accrued Payroll	106,643	14,641,795	14,675,680	72,758
Flexible Spending	3,558	817	707	3,668
Accumulated Absences	800,000	400,000		1,200,000
Affordable Housing	80,199	80,204		160,403
Police Auxiliary	3,064	225		3,289
	<u>\$ 2,451,042</u>	<u>16,857,904</u>	<u>15,698,263</u>	<u>3,610,683</u>

Cash Receipts	16,849,725
Due to/from Current Fund	8,179
Cash Disbursements	15,597,263
	<u>\$ 16,857,904</u>
	<u>15,698,263</u>

BOROUGH OF NEW MILFORD

Schedule of Interfunds

Trust Funds

Year ended December 31, 2018

	<u>Balance</u> <u>Dec. 31, 2017</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2018</u>
Animal License Trust Fund				
Due from/(to) Current Fund	\$ (3,587)	4,811		(8,398)
Other Trust Fund:				
Due from/(to) Current Fund	(117,501)	101,901	55,830	(163,572)
Open Space Trust Fund:				
Due from/(to) Current Fund	78	78	186	186
Due from/(to) Capital Fund			14,427	14,427
	<u>\$ (121,010)</u>	<u>106,790</u>	<u>70,443</u>	<u>(157,357)</u>
		979		
			47,651	
expended Balance from Cancelled Improvement Authorization			14,427	
		4,811		
Added/Omitted Tax collections			186	
Payroll Deductions			8,179	
Outside Police Duty		101,000		
		<u>\$ 106,790</u>	<u>70,443</u>	

BOROUGH OF NEW MILFORD

**Schedule of Reserve for Community
Development Trust Fund**

Trust Funds

Year ended December 31, 2018

Balance - December 31, 2017	\$	1
Increased by:		
Reclassify balance		<u>7</u>
Balance - December 31, 2018	\$	<u><u>8</u></u>

Exhibit B-11

BOROUGH OF NEW MILFORD

**Schedule of Due to the County of Bergen
Community Development Trust Fund**

Trust Funds

Year ended December 31, 2018

Balance - December 31, 2017	\$	<u>7</u>
Decreased by:		
Reclassify balance to Reserve	\$	<u><u>7</u></u>

BOROUGH OF NEW MILFORD

Schedule of Reserve for Recreation Trust Fund Expenditures

Trust Funds

Year ended December 31, 2018

Balance - December 31, 2017	\$	18,073
Increased By:		
Receipts		<u>79,689</u>
		97,762
Decreased By:		
Recreation Expenditures		<u>66,797</u>
Balance - December 31, 2018	\$	<u><u>30,965</u></u>

BOROUGH OF NEW MILFORD

Statement of Service Award Contributions Receivable

Emergency Services Volunteer Length of Service Award Program

Year ended December 31, 2018

Balance - December 31, 2017		\$	57,550
Increased By:			
Borough Contributions			<u>55,614</u>
			113,164
Decreased By:			
Contribution Paid	\$	50,544	
Cancellation of Prior Year Contributions		<u>7,006</u>	
Contribution Paid			<u>57,550</u>
Balance - December 31, 2018		\$	<u><u>55,614</u></u>

BOROUGH OF NEW MILFORD

Statement of Net Assets Available for Benefits

Emergency Services Volunteer Length of Service Award Program

Year ended December 31, 2018

Balance - December 31, 2017		\$	1,057,060
Increased by:			
Borough Contributions			<u>55,614</u>
			1,112,674
Decreased by:			
Cancellation of Prior Year Contribution	\$	7,006	
Account Service Charges		1,650	
Investment Losses		35,928	
Benefit Payments		<u>93,186</u>	
			<u>137,770</u>
Balance - December 31, 2018		\$	<u><u>974,904</u></u>

BOROUGH OF NEW MILFORD

Schedule of General Capital Cash -
Collector-Treasurer

General Capital Fund

Year ended December 31, 2018

Balance - December 31, 2017		\$	1,315,398
Increased by:			
Due to Current Fund	\$	1,171	
Grants/Contribution Receivables:			
Board of Education		70,000	
Department of Transportation		29,429	
Open Space Trust Fund		69,000	
Capital Improvement Fund		400,000	
Premium on Sale of Notes		112,270	
Bond Anticipation Notes		<u>9,882,900</u>	
			<u>10,564,770</u>
			11,880,168
Decreased by disbursements:			
Due from Current Fund		2,249	
Bond Anticipation Notes		6,683,900	
Contracts Payable		1,112,740	
Reserve for Preliminary Expenses		85,301	
Improvement Authorizations		<u>2,677,032</u>	
			<u>10,561,222</u>
Balance - December 31, 2018		\$	<u><u>1,318,946</u></u>

BOROUGH OF NEW MILFORD

Analysis of General Capital Cash

General Capital Fund

Year ended December 31, 2018

Department of Transportation Grant	\$ (113,982)
Bergen County Open Space Trust Grants Receivable	(70,334)
Green Acres Program Grant Receivable	(647,500)
Community Development Block Grant	(86,886)
Department of Homeland Security Grant Receivable	(750,000)
Due from Current Fund	(271,380)
Due to Municipal Open Space Trust Fund	14,427
Reserve for Grants Receivable	647,500
Capital Improvement Fund	96,562
Contracts Payable	1,688,404
General Capital Fund Balance	168,044

Improvement authorizations:

<u>Ordinance number</u>	<u>Improvement description</u>	
04-10	Various Capital Improvements	(218,000)
08-07	Imps. to the Boulevard, Sec. 4	14,030
09-13	Various Public Improvements	(20,259)
10-06	Various Public Improvements	300
2012-07	Various Public Improvements	4,598
2013-06/2014-25	Various Public Improvements	112,666
2014-06	Various Public Improvements	22,059
2014-20	Various Recreation Improvements	5,257
2014-23	Bypass of the Borough's Sanitary Sewer Line and Connection to the BCUA at Henley Ave.	17,863
2015-06/2016-29	Various Public Imps./Acquisition of SUV	54,172
2015-12	Imp. Of the Boulevard (Sec. 7)	36,597
2015-17	Improvement of Berkley Street	14,863
2015-22/2016-26	Acquisition of Garbage Trucks and Mason Dump Truck	5,640
2016-10	Various Public Improvements and Acquisitions	1,655
2016-11	Various Public Improvements	20,771
2016-20	Various Public Improvements	221
2017-04	Various Public Improvements	52,025
2017-06	Various Police and Firefighter Equipment	19,277

BOROUGH OF NEW MILFORD

Analysis of General Capital Cash

General Capital Fund

Year ended December 31, 2018

2017-15	Acquisition of new Air Packs and upgrades to filing station - Fire Department	624
2017-17	Construction of a Multi-Use Field Complex at Kennedy Field	39,821
2018-10	Various Imps. & Acquisition of Equipment	(366,088)
2018-11	Various Public Acquisitions & Improvements	28,860
2018-16	Improvement of Faller Drive	20,384
2018-19	Supplemental to 2016-30/2017-18: Berkley School Field Renovation Project	155
2018-21	Acquisition of New Tower Ladder Fire Engine	<u>776,600</u>
		<u>\$ 1,318,946</u>

BOROUGH OF NEW MILFORD

**Schedule of Deferred Charges to Future
Taxation - Funded**

General Capital Fund

Year ended December 31, 2018

Balance - December 31, 2017		\$ 10,093,973
Decreased by:		
Bonds paid by Budget Appropriation	\$ 695,000	
Loans paid by Budget Appropriation	<u>56,334</u>	
		<u>751,334</u>
Balance - December 31, 2018		\$ <u><u>9,342,639</u></u>

BOROUGH OF NEW MILFORD

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year ended December 31, 2018

Ordinance number	Improvement description	Balance, Dec. 31, 2017	2018 Authorizations	2018 Reductions	Balance, Dec. 31, 2018	Analysis of Balance Dec. 31, 2018		
						Financed by Bond Anticipation Notes	Expenditures	Unexpended improvement authorizations
2004-10	Various Capital Improvements	218,000			218,000		218,000	
2009-13	Various Public Improvements	20,259			20,259		20,259	
2012-07	Various Public Improvements	59,901		59,901				
2014-06	Various Public Improvements	5,203,000			5,203,000	5,203,000		
2014-27	Drainage Improvements at Cherry and Chestnut Streets	281,000		281,000				
2015-22/2016-26	Acquisition of New Garbage Trucks and a Mason Dump Truck	461,900			461,900	461,900		
2016-10	Acquisition of Equipment and Machinery	738,000			738,000	738,000		
2017-04	Various Public Improvements	750,000			750,000	750,000		
2017-17	Construction of a Multi-Use Field Complex at Kennedy Field	2,730,000			2,730,000	2,730,000		
2018-10	Various Imps. & Acquisition of Equipment	919,000			919,000	919,000		552,912
2018-21	Acquisition of a New Tower Ladder Fire Engine	530,400			530,400	530,400		530,400
		<u>\$ 10,462,060</u>	<u>1,449,400</u>	<u>340,901</u>	<u>11,570,559</u>	<u>9,882,900</u>	<u>604,347</u>	<u>1,083,312</u>

Reserve for Payment of Notes \$ 340,901
340,901

Improvement authorizations unfunded \$ 1,204,512
 Less unexpended proceeds of bond anticipation notes:
 2014-06 22,059
 2015-22/2016-26 5,640
 2016-10 1,635
 2017-04 52,025
 2017-17 39,821

121,200
\$ 1,083,312

BOROUGH OF NEW MILFORD

**Schedule of Community Development
Block Grants Receivable - Ord. 2018-16**

General Capital Fund

Year ended December 31, 2018

Increased by:	
Grant Awards - Faller Drive, Ord. 2018-16	\$ <u>86,886</u>
Balance - December 31, 2018	\$ <u><u>86,886</u></u>

**Schedule of Bergen County Open Space
Trust Fund Grants Receivable**

General Capital Fund

Year ended December 31, 2018

Balance - December 31, 2017	\$ 78,166
Cancelled	<u>7,832</u>
Balance - December 31, 2018	\$ <u><u>70,334</u></u>
<u>Analysis of Balance</u>	
Various Recreation Imps., Ord. 2014-20	\$ 8,080
Berkley School Field Rehab Project, Ord. 2015-16	<u>62,254</u>
	\$ <u><u>70,334</u></u>

BOROUGH OF NEW MILFORD
Schedule of State of New Jersey
Department of Transportation Grants Receivable
General Capital Fund
Year ended December 31, 2018

Balance - December 31, 2017		\$	202,877
Increased by:			
Grants Awarded			212,000
			414,877
Decreased by:			
Due from Current Fund	\$	271,466	
Cash Receipts		29,429	
			300,895
Balance - December 31, 2018		\$	113,982

Analysis of Balance

Imps. To the Boulevard (Hoffman), Ord. 2015-12			7,821
Graphic Boulevard, Section 8, Ord. 2018-12			106,161
		\$	113,982

Schedule of Due from New Milford
Board of Education
General Capital Fund
Year ended December 31, 2018

Balance - December 31, 2017		\$	70,000
Decreased by:			
Cash Receipts		\$	70,000

BOROUGH OF NEW MILFORD

**Schedule of Grants Receivable -
Department of Homeland Security, Assistance to Firefighters - Ord. 2018-21**

General Capital Fund

Year ended December 31, 2018

Increased by:	
Grants Awarded	\$ <u>750,000</u>
Balance - December 31, 2018	\$ <u><u>750,000</u></u>

**Schedule of Grants Receivable -
Department of Environmental Protection, Green Acres Program - Ord. 2017-17**

General Capital Fund

Year ended December 31, 2018

Balance - December 31, 2017	\$ <u>647,500</u>
Balance - December 31, 2018	\$ <u><u>647,500</u></u>

BOROUGH OF NEW MILFORD

Schedule of Interfunds

Trust Funds

Year ended December 31, 2018

	<u>Balance</u> <u>Dec. 31,</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31,</u>
General Capital Fund:				
Due from/(to) Current Fund	\$ (1,164)	1,171	273,715	271,380
Due from/(to) Open Space Trust Fund	<u> </u>	<u>14,427</u>	<u> </u>	<u>(14,427)</u>
	<u>\$ (1,164)</u>	<u>15,598</u>	<u>273,715</u>	<u>256,953</u>
		Cash Receipts	1,171	
		Cash Disbursements	2,249	
		Grant Proceeds	271,466	
		Cancellation of Ord. 2015-16	<u>14,427</u>	
		<u>\$ 15,598</u>	<u>273,715</u>	

BOROUGH OF NEW MILFORD
Schedule of Environmental Infrastructure Fund Loans Payable

General Capital Fund

Year ended December 31, 2018

<u>Purpose</u>	<u>Date of issue</u>	<u>Original issue</u>	<u>Maturities of Bonds Outstanding, December 31, 2018</u>		<u>Interest Rate</u>	<u>Balance, Dec. 31, 2017</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2018</u>
			<u>Date</u>	<u>Amount</u>				
Wastewater Treatment Facilities	Dec. 2, 2010	616,250	Feb. 1, 2019	10,445	0.00%	\$ 182,973	31,334	151,639
			Aug. 1, 2019	20,889				
			Feb. 1, 2020	10,445				
			Aug. 1, 2020	20,890				
			Feb. 1, 2021	10,445				
			Aug. 1, 2021	20,890				
			Feb. 1, 2022	10,445				
			Aug. 1, 2022	20,890				
			Feb. 1, 2023	10,445				
			Aug. 1, 2023	15,855				
						\$ 182,973	31,334	151,639
								Budget Appropriation \$ 31,334

BOROUGH OF NEW MILFORD

Schedule of Environmental Infrastructure Trust Loans Payable

General Capital Fund

Year ended December 31, 2018

Purpose	Date of issue	Original issue	Maturities of Bonds Outstanding, December 31, 2018		Interest Rate	Balance, Dec. 31, 2017	Decreased	Balance, Dec. 31, 2018
			Date	Amount				
Wastewater Treatment Facilities	Dec. 2, 2010	575,000	Aug. 1, 2019	25,000	5.00%	341,000	25,000	316,000
			Aug. 1, 2020	22,000	5.00%			
			Aug. 1, 2021	22,000	5.00%			
			Aug. 1, 2022	22,000	4.00%			
			Aug. 1, 2023	22,000	4.00%			
			Aug. 1, 2024	26,000	5.00%			
			Aug. 1, 2025	26,000	5.00%			
			Aug. 1, 2026	26,000	4.25%			
			Aug. 1, 2027	30,000	4.50%			
			Aug. 1, 2028	29,000	4.50%			
		Aug. 1, 2029	33,000	4.50%				
		Aug. 1, 2030	33,000	4.25%				
						\$ 341,000	25,000	316,000
						Budget Appropriation \$		25,000

BOROUGH OF NEW MILFORD
 Schedule of Bond Anticipation Notes
 General Capital Fund

Year ended December 31, 2018

Ordinance number	Improvement description	Date of issuance of original note	Date of Issue	Maturity	Interest rate	Balance, Dec. 31, 2017	Increased	Decreased	Balance, Dec. 31, 2018
2014-27	Drainage Improvements at Cherry and Chestnut Sts.	Nov. 4, 2015	Apr. 12, 2018	Apr. 12, 2019	3.00%	281,000		281,000	2,000,000
2014-06	Various Public Improvements	May 13, 2016	Apr. 12, 2018	Apr. 12, 2019	3.00%	2,000,000	2,000,000	2,000,000	406,000
2015-22/2016-26	Acq. of New Garbage Trucks and Mason Dump Truck	May 13, 2016	Apr. 12, 2018	Apr. 12, 2019	3.00%	406,000	406,000	406,000	3,203,000
2014-06	Various Public Improvements	May 12, 2017	Apr. 12, 2018	Apr. 12, 2019	3.00%	3,203,000	3,203,000	3,203,000	55,900
2016-10	Acq. of New Garbage Trucks and Mason Dump Truck	May 12, 2017	Apr. 12, 2018	Apr. 12, 2019	3.00%	55,900	55,900	55,900	738,000
2017-04	Various Public Improvements & Additional Machinery	May 12, 2018	Apr. 12, 2018	Apr. 12, 2019	3.00%	738,000	738,000	738,000	750,000
2017-17	Various Public Improvements	Apr. 12, 2018	Apr. 12, 2018	Apr. 12, 2019	3.00%		750,000		2,730,000
	Construction of a Multi-Use Field Complex	Apr. 12, 2018	Apr. 12, 2018	Apr. 12, 2019	3.00%		2,730,000		
						\$ 6,683,900	9,882,900	6,683,900	9,882,900

Cash	3,480,000
Renewed	6,402,900
Grant Proceeds Applied:	
Ord. 2014-27	281,000
	\$ 9,882,900
	6,683,900

BOROUGH OF NEW MILFORD
Schedule of Improvement Authorizations

General Capital Fund

Year ended December 31, 2018

Ordinance number	Improvement description	Date	Ordinance Amount		Balance, Dec. 31, 2017		2018 Authorizations	Paid or charged	Cancelled	Balance, Dec. 31, 2018	
			Funded	Unfunded	Funded	Unfunded				Funded	Unfunded
08-07	Imps. To the Boulevard, Sec. 4	June 23, 2008	205,000		14,030					14,030	
08-08	Various Improvements	July 28, 2008	580,000		2,207		2,207			300	
2010-06	Various Public Improvements	Feb. 22, 2010	597,000		300					4,598	
2012-07	Various Public Improvements	May 14, 2012	925,450			5,672					
2013-06/2014-25	Various Public Improvements	May 29, 2013									
		Oct. 27, 2014	4,880,100		64,726		(47,940)			112,666	
2014-06	Various Public Improvements	Apr. 28, 2014	5,464,275			107,214	85,155				22,059
2014-23	Various Recreation Improvements	Aug. 25, 2014	116,000		2,774		(2,483)			5,257	
	Bypass of the Borough's Sanitary Sewer Line and Connection to the BCUA at Henley Ave.	Sept. 22, 2014	60,000		17,863					17,863	
2015-06/2016-29	Various Public Improvements and Acquisition of SUV for Fire Official	April 20, 2015									
		Nov. 28, 2016	1,073,000		108,979						
2015-12	Improvement of Blvd (Sec. 7 Hoffman to Reichelt Rd)	May 27, 2015	180,000		4,722		54,807			54,172	
2015-16	Rehabilitation of Basketball Courts at Prospect Park	Sept. 28, 2015	123,700		19,124		(31,875)			36,597	
2015-17	Improvement of Berkeley Street	Sept. 28, 2015	155,000		14,863		(3,135)		22,259		
2015-22/2016-26	Acquisition of New Garbage Trucks and Mason Dump Truck	Dec. 14, 2015								14,863	
		Nov. 28, 2016	485,000			11,828	6,188				5,640
2016-10	Various Public Improvements and Acquisitions	April 26, 2016	775,000			99,730	98,075				1,655
2016-11	Various Public Improvements	April 25, 2016	64,907		22,010					20,771	
2016-20	Various Public Acquisitions	Aug. 22, 2016	39,500		221		1,239			221	
2016-30/2017-18	Berkley School Field Rehab. Project	Dec. 19, 2016, Dec. 18, 2017	243,254		229,128		229,128				
2017-04	Various Public Improvements	Apr. 24, 2017	788,400			175,784	123,759				52,025
2017-06	Various Police and Firefighter Equipment	May 8, 2017	157,900		47,615		28,338			19,277	
2017-10	Various Road Improvements	Jul. 24, 2017	173,775		158,252		158,252				

BOROUGH OF NEW MILFORD

Schedule of Improvement Authorizations

General Capital Fund

Year ended December 31, 2018

Ordinance number	Improvement description	Ordinance Date	Ordinance Amount	Balance, Dec. 31,		2018 Authorizations	Paid or charged	Cancelled	Balance, Dec. 31,	
				Funded	Unfunded				Funded	Unfunded
2017-15	Acquisition of new Air Packs and upgrades to filling station - Fire Department	Nov. 13, 2017	239,358	1,068			444		624	
2017-17	Construction of a Multi-Use Field Complex at Kennedy Field	Nov. 13, 2017	2,730,000		2,729,921		2,690,100			39,821
2018-10	Various Imps. & Acquisition of Equipment	May 14, 2018	965,000			965,000	412,088			552,912
2018-11	Various Public Acquisitions & Imps.	May 14, 2018	102,528			102,528	73,668		28,860	
2018-12	Improvement of Graphic Boulevard	May 30, 2018	251,000			251,000	251,000			
2018-16	Improvement of Fuller Drive	Jun. 25, 2018	186,886			186,886	166,502		20,384	
2018-19	Supplemental to 2016-30/2017-18: Berkley School Field Renovation Project	Jul. 23, 2018	69,000			69,000	68,845		155	
2018-21	Acquisition of New Tower Ladder Fire Engine	Dec. 17, 2018	1,307,000			1,307,000			776,600	530,400
			\$	707,882	3,130,149	2,881,414	4,365,436	22,259	1,127,238	1,204,512

Deferred Charges Unfunded \$ 1,449,400
 Grants/Contributions Receivable 1,117,886
 Capital Improvement Fund 314,128
 \$ 2,881,414

Cash Disbursements 2,677,032
 Contracts Payable 1,688,404
 \$ 4,365,436

Bergen County Open Space Trust Grant Receivable 7,832
 Due to Municipal Open Space Trust Fund 14,427
 \$ 22,259

BOROUGH OF NEW MILFORD
Schedule of Capital Improvement Fund
General Capital Fund
Year ended December 31, 2018

Balance - December 31, 2017	\$	10,690
Increased by:		
2018 Budget Appropriation		<u>400,000</u>
		410,690
Decreased by:		
Appropriated to Finance Improvement Authorizations		<u>314,128</u>
Balance - December 31, 2018	\$	<u><u>96,562</u></u>

Schedule of Reserve for Legislative Grant
General Capital Fund
Year ended December 31, 2018

Balance - December 31, 2017	\$	<u>30,000</u>
Decreased by:		
Cancelled to Fund Balance		<u><u>30,000</u></u>

BOROUGH OF NEW MILFORD
Schedule of Reserve for Grants Receivable
General Capital Fund
Year ended December 31, 2018

Balance - December 31, 2017	\$	<u>647,500</u>
Balance - December 31, 2018	\$	<u><u>647,500</u></u>

Analysis of Balance

Department of Environmental Protection, Ord. 2017-17		647,500
	\$	<u><u>647,500</u></u>

Schedule of Reserve for Payment of Debt/Notes
General Capital Fund
Year ended December 31, 2018

Balance - December 31, 2017	\$	349,892
Decreased by:		
Utilized as Paydown on Notes	\$	281,000
Applied to Authorized not Issued		59,901
Cancelled to Fund Balance		<u>8,991</u>
	\$	<u><u>349,892</u></u>

BOROUGH OF NEW MILFORD

Schedule of Contracts Payable

General Capital Fund

Year ended December 31, 2018

Balance - December 31, 2017	\$ 1,112,740
Increased by:	
Contracts Awarded	<u>1,688,404</u>
	2,801,144
Decreased by:	
Cash Disbursements	<u>1,112,740</u>
Balance - December 31, 2018	<u><u>\$ 1,688,404</u></u>

BOROUGH OF NEW MILFORD

**Schedule of Reserve for Preliminary Expenses -
Engineering Costs - Construction of a Multi-Sport Facility**

General Capital Fund

Year ended December 31, 2018

Balance - December 31, 2017	\$ <u>85,301</u>
Decreased by:	
Cash Disbursements	\$ <u><u>85,301</u></u>

BOROUGH OF NEW MILFORD

Schedule of Bond and Notes Authorized not Issued

General Capital Fund

Year ended December 31, 2018

Ordinance number	Improvement description	Balance, Dec.31, 2017	Increased	Decreased	Balance, Dec.31, 2018
04-10	Various Capital Improvements	\$ 218,000			218,000
2009-13	Various Public Improvements/Additional Machinery and Equipment	20,259			20,259
2012-07	Various Public Improvements	59,901		59,901	
2017-04	Various Public Improvements	750,000		750,000	
2017-17	Construction of a Multi-Use Field Complex at Kennedy Field	2,730,000		2,730,000	
2018-10	Various Imps. & Acquisition of Equipment		919,000		919,000
2018-21	Acquisition of new Tower Ladder Fire Engine		530,400		530,400
		<u>\$ 3,778,160</u>	<u>1,449,400</u>	<u>3,539,901</u>	<u>1,687,659</u>

Current Year Improvement Authorizations 1,449,400
 \$ 1,449,400

Reserve for Payment of Debt 59,901
 Bond Anticipation Notes Issued 3,480,000
 \$ 3,539,901

BOROUGH OF NEW MILFORD

Schedule of Cash-Treasurer

Goodwill Assistance Trust Fund

Year Ended December 31, 2018

Balance - December 31, 2017		\$	18,708
Increased by Receipts:			
Donations	\$	3,430	
Interest Earned		<u>9</u>	
			<u>3,439</u>
			22,147
Decreased by Disbursements:			
Non-reimbursable expenditures		<u>2,134</u>	
Balance - December 31, 2018		\$	<u><u>20,013</u></u>

BOROUGH OF NEW MILFORD
Schedule of Reserve for Goodwill Assistance
Goodwill Assistance Trust Fund
Year Ended December 31, 2018

Balance - December 31, 2017		\$	18,708
Increased by:			
Donations	\$	3,430	
Interest Earned		<u>9</u>	
			<u>3,439</u>
			22,147
Decreased by:			
Non-reimbursable Expenditures			<u>2,134</u>
Balance - December 31, 2018		\$	<u><u>20,013</u></u>

BOROUGH OF NEW MILFORD

PART II

LETTERS ON INTERNAL CONTROL AND COMPLIANCE

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2018

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Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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

Honorable Mayor and
Members of the Borough Council
Borough of New Milford
County of Bergen, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements-regulatory basis of the Borough of New Milford in the County of Bergen as of and for the year ended December 31, 2018 and the related notes to the financial statements, and have issued our report thereon dated May 21, 2019, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting.

Internal Control Over Financial Reporting

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

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



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

We did identify certain immaterial deficiencies in internal control that we have reported to management of the Borough of New Milford in the accompany comments and recommendations section of this report.

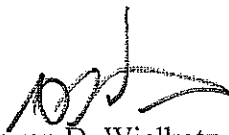
Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Borough of New Milford's financial statements-regulatory basis are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the Borough of New Milford in the accompanying comments and recommendations section of this report.

Purpose of this Report

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


Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CR00413


FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

May 21, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE AND N.J. OMB CIRCULAR 15-08

Honorable Mayor and
Members of the Borough Council
Borough of New Milford
County of Bergen, New Jersey

Report on Compliance for Each Major State Program

We have audited the Borough of New Milford in the County of Bergen compliance with the types of compliance requirements described in the OMB Compliance Supplement and N.J. Office of Management and Budget (OMB) Circular 15-08 Compliance Supplement that could have a direct and material effect on each of its major state programs for the year ended December 31, 2018. The Borough of New Milford's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of New Milford's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and N.J. OMB Circular 15-08. Those standards, the Uniform Guidance and N.J. OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Borough of New Milford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



Honorable Mayor and
Members of the Borough Council
Page 2.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the Borough of New Milford's compliance.

Opinion on Each Major State Program

In our opinion, the Borough of New Milford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the Borough of New Milford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of New Milford's internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance with the Uniform Guidance and N.J. OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of New Milford's internal control over compliance.


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


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



Honorable Mayor and
Members of the Borough Council
Page 3.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and N.J. OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.


Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CR00413


FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

May 21, 2019

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BOROUGH OF NEW MILFORD

Schedule of Expenditure of Federal Financial Assistance

Year ended December 31, 2018

Grantor	Program	CFDA Number	Grant Period	Grant Award	Receipts	Expenditures	MEMO Cumulative Total Expenditures
General Capital Fund:							
Department of Housing and Urban Development (through the County of Bergen)	Community Development Block Grant - Fuller Drive Road Resurfacing		7/1/17-6/30/18	86,886 \$		86,886	
Department of Homeland Security	Ord. 2018-21: Assistance to Firefighters Grant	97.044	1/12/17-6/11/18	750,000			
Total General Capital Fund						86,886	
Current Fund:							
U.S. Department of Health and Human Services Title III		93.044	2018 2017	23,209 20,680	22,001	20,681 1,319	20,681 20,680
Federal Emergency Management Agency - Department of Homeland Security	Public Assistance Grants - Severe Winter Storm & Snow Storm Quinn - DR4368	97.036	3/6-7/2018	25,743	25,743	25,743	25,743
Department of Housing and Urban Development	Hurricane Sandy Community Development Block Grant - Disaster Recovery Grants - DR4086	14.269		24,397	4,960	4,960	24,397
Department of Justice	Bulletproof Vest Partnership Program	16.607	2018 2017 2017 2016	4,095 4,095 111 2,497	4,095	(910)	1,492
Department of Transportation - National Highway Safety Administration - Alcohol Impaired Driving Countermeasures	Drive Sober or Get Pulled Over Labor Day Crackdown Holiday Crackdown Holiday Crackdown	20.616	2017 2017 2018	5,500 5,500 5,500	71 5,500	71 5,500	4,678 5,500
Department of Environmental Protection	Stormwater Regulation Grant	66.605	2004	9,022			9,008
Total Current Fund					62,370	57,364	112,179
Total Federal Assistance					\$ 62,370	144,250	112,179

Note: See accompanying notes to schedules of expenditures of federal and state awards.
 Note: This schedule was not subject to an audit in accordance with the Uniform Guidance.

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BOROUGH OF NEW MILFORD

Schedule of Expenditures of State Awards and Other Financial Assistance

Year ended December 31, 2018

State Funding Department	State Program	Grant Number	Grant Year	Allocation or Grant Award Amount	Revenue Realized/ Cash Received	Expended	Cancellation/ Reallocation	MEMO	
								Total Expenditures	Cumulative Total Expenditures
Current Fund: Department of Law and Public Safety	Slate Program Drunk Driving Enforcement Fund	1110-443-031020-22	2014	1,936 \$		504		673	673
			2017	3,392	3,251			3,251	
			2016	4,026	389			4,026	
	Body Armor Replacement					3,640		7,277	
Department of Environmental Protection Solid Waste Administration	Alcohol Education and Rehabilitation	4250-760-05000-63-260	2018	1,098	1,098				
			2017	450					
			2015	707					
			2012	648					
			Prior	266					
	Recycling Tonnage Grant								
Department of Environmental Protection Solid Waste Administration	Recycling Tonnage Grant	4830-732-030550-30	2017	23,690		3,686		3,686	
			2016	3,910		3,910		3,910	
			2016	22,557		7,236		22,557	
Clean Communities Program		4900-765-178900	2018	28,695	28,695	13,903		15,299	
			2017	29,986	28,695	21,397		29,986	
						30,132		75,438	
Passed through - County of Bergen	Municipal Alliance to Prevent Alcoholism/Drug	100-082-C01-044	2018	11,677	33	33	(25)	7,254	
			2017	11,677				6,720	
			2015	11,677	33	4,937	(25)	13,974	
					\$ 29,826	\$9,266	(25)	97,362	
Total State Financial Assistance - Current Fund									
General Capital Fund: Department of Transportation	Highway Planning and Construction - Graphic Boulevard, Sec. 5 - Ord. 2018-12 Various Road Improvements - Ord. 2017-10 Imps. Of Boulevard (Sec. 6) and Monmouth Avenue (Sec. 3) - Ord. 2013-07		2018	212,000	105,839	212,000		212,000	
			2017	165,627	165,627	165,627		165,627	
			2015	149,000			(37,250)	111,750	
					271,466	377,627	(37,250)	489,377	

BOROUGH OF NEW MILFORD

Schedule of Expenditure of State Awards and Other Financial Assistance

Year ended December 31, 2018

State Funding Department	State Program	Grant Number	Grant Year	Allocation or Grant Award Amount	Revenue Realized/ Cash Received	Expended	Cancellation/ Reallocation	MEMO
								Cumulative Total Expenditures
Current Fund:								
Department of Environmental Protection	Green Acres Program		2017	647,500		647,500		647,500
		Kennedy Field Imps. - Ord. 2017-17						
					\$ 271,466	1,025,127	(37,250)	1,136,877
Total State Financial Assistance - General Capital Fund								
Other Financial Assistance								
General Capital Fund:	Open Space Trust Fund		2016	62,254		62,254		62,254
		Berkley Field Imps. - Ord. 2016-30/2017-18						
					\$	62,254		62,254
Total Other Financial Assistance								
Total State and Other Financial Assistance					\$ 301,292	1,146,647	(37,275)	1,296,493

Note: See accompanying notes to schedules of expenditures of federal and state awards.

Note: This schedule was subject to an audit in accordance with N.J. OMB Circular 15-08.

**BOROUGH OF NEW MILFORD
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1. GENERAL

The accompanying schedules of expenditures of awards present the activity of all federal and state financial assistance programs of the Borough of New Milford, County of Bergen. The Borough is defined in Note 1A to the Borough's financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of expenditures of awards.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards are presented using the modified accrual basis of accounting as prescribed for counties by the Division of Local Government Services, Department of Community Affairs, State of New Jersey which differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. This basis of accounting is described in Note 1(B) to the Borough's financial statements.

NOTE 3. RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules do not agree with amounts reported in the Borough's financial statements because encumbrances are not reported in the accompanying schedules. Financial assistance awards are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Federal and State Grant Fund	\$26,661	\$59,266	(\$400)	\$85,527
Current Fund	30,703			30,703
General Capital Fund	86,886	1,025,127		1,112,013
Open Space Trust Fund			<u>62,254</u>	<u>62,254</u>
	<u>\$144,250</u>	<u>\$1,084,393</u>	<u>\$61,854</u>	<u>\$1,290,497</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree, in all material respect, with the amounts reported in the related federal and state financial reports. However, we noted certain differences which are reported in the accompanying schedule of findings of noncompliance and questioned costs.

NOTE 5. ADJUSTMENTS

Amounts reported in the accompanying schedules were adjusted to report the financial assistance awards as described in Note 2 Basis of Accounting.

BOROUGH OF NEW MILFORD
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

The Borough's federal and state loans outstanding at December 31, 2018, which are not required to be reported on the schedule of expenditures of federal and state awards, are as follows:

<u>Loan Program</u>	<u>Total</u>
State of New Jersey Environmental Infrastructure Trust Loan Program - Capital Fund	<u>\$467,639</u>

NOTE 7. INDIRECT COST RATE

The Borough of New Milford has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**BOROUGH OF NEW MILFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

adverse: GAAP
unmodified: OCBOA

Internal control over financial reporting:

1. Significant deficiencies identified that are not considered to be material weaknesses?

_____ yes X none reported

2. Material weakness(es) identified?

_____ yes X no

Noncompliance material to financial statements noted?

_____ yes X no

Federal Awards Section

N/A

**BOROUGH OF NEW MILFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(continued)**

Section II - Financial Statement Findings

None

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

None

STATUS OF PRIOR YEAR AUDIT FINDINGS

None

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BOROUGH OF NEW MILFORD, N.J.

GENERAL COMMENTS

Contracts and Agreements

N.J.S.A. 40A:11-3 states:

- a. When the cost or price of any contract awarded by the contracting agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution, as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids, except that the governing body of any contracting unit may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to 25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.
- b. Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to subparagraph (I) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A:11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.
- c. The Governor, in consultation with the Department of the Treasury, shall no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L. 1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L. 1971, c.198(C.40A:11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made.

N.J.S.A. 40A:11-4 states:

- a. Every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

BOROUGH OF NEW MILFORD, N.J.

GENERAL COMMENTS, (continued)

Effective July 1, 2015, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent, the threshold may be up to \$36,000. On July 1, 2015, the threshold with a qualified purchasing agent was increased to \$40,000.

Effective January 1, 2011, P.L., 2009, c.166 eliminated the previous lower non-qualified purchasing agent threshold of \$26,000. Thus a contracting unit without a qualified purchasing agent now has a maximum bid threshold of \$17,500.

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

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

Knight's Field Improvements	Kennedy Field Project
Berkley Street Field Improvements	Road Improvements, Boulevard, Sec.8 and
Disposal/Recycling of Leases and Vegetative Waste	Graphic Blvd, Section 4&5
Replacement of Shingle Roof, Decking, Gutters and Leaders	

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any material or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear cut violation existed. No violations were disclosed.

Our examination of expenditures did not reveal any individual payments, contracts or agreements in excess of the statutory threshold "for the performance of any work or the furnishing or hiring of any materials or supplies," where bids had not been previously sought by public advertisement or where a resolution had been previously adopted under the provisions of N.J.S. 40A:11-6.

Collection of Interest on Delinquent Taxes and Assessments

The statute provides the method for authorizing interest and the maximum rates to be charged for the nonpayment of taxes or assessments on or before the date when they would become delinquent.

BOROUGH OF NEW MILFORD

GENERAL COMMENTS, (continued)

The governing body on January 2, 2018 adopted the following resolution authorizing interest to be charged on delinquent taxes:

WHEREAS, Chapter 75 of the Public Laws of 1991 of the State of New Jersey authorizes the governing body of each municipality by resolution to fix the rate of interest to be charged for nonpayment of taxes or assessments on or before the date when they would become delinquent, and

WHEREAS, the provisions of said statute provides that the rate of interest to be so charged may be fixed at a rate not to exceed 8% per annum on the first \$1,500 of delinquency, and a rate of 18% per annum on any amount in excess of \$1,500.

WHEREAS, the statute further provides that the governing body may provide that no interest shall be charged if payment is made within the tenth calendar day following the date which the same became payable, and

It appears from our test of the collector's record that interest was collected in accordance with the foregoing resolution.

Delinquent Taxes and Tax Title Liens

The last tax sale was held on November 29, 2018 and was complete.

The following comparison is made of the number of tax title liens receivable on December 31 of the last three years:

<u>Year</u>	<u>Number of Liens</u>
2018	3
2017	3
2016	4

It is essential to good management that all means provided by statute be utilized to liquidate tax title liens in order to get such properties back on a taxpaying basis.

Verification of Delinquent Taxes and Other Charges

A test verification of delinquent charges and current payments was made in accordance with the regulations of the Division of Local Government Services, including the mailing of verification notices.

The result of the test, which was made for the year ending December 31, 2018, is not yet known, but a separate report will be rendered if any irregularities are developed. In addition we utilized analytical review procedures to ascertain the validity of the receivables.

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BOROUGH OF NEW MILFORD

COMMENTS

Municipal Court

- 1.* A review of the Court's December 2018 ATS/ACS Monthly Management Report indicated that there is an excessive amount of tickets and/or complaints in the following areas that require attention and follow-up
 - a. Tickets eligible for order of D/L suspension
 - b. Tickets assigned over 180 days
 - c. Complaints eligible for warrant.
 - d. Complaints eligible for DSUS

RECOMMENDATIONS

Municipal Court

- 1.* Policies be implemented to address the excessive amount of tickets and complaints that need follow-up.

BOROUGH OF NEW MILFORD, N.J.

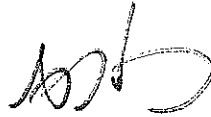
STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

A review was performed on all prior year recommendations and corrective action was taken on all, except for the findings/recommendations marked with an “*”.

ACKNOWLEDGMENT

We received the complete cooperation of all of the officials of the municipality and we greatly appreciate the courtesies extended to all members of the audit team.

Respectfully submitted,



Steven D. Wielkotz, C.P.A.
Registered Municipal Accountant
No. 413



FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

May 21, 2019