

REPORT OF AUDIT
BOROUGH OF NEW MILFORD
COUNTY OF BERGEN
DECEMBER 31, 2017

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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, 2017

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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, 2017, the related statement of operations and changes in fund balance - regulatory basis for the year 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, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents. The financial statements for the year ended December 31, 2016 were audited by other auditors whose report dated May 9, 2017 expressed a qualified opinion. The qualification relates to the inclusion of the financial statements - regulatory basis of the Length of Service Award Program (LOSAP) Trust Fund that had not been audited.

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, 2017, 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 \$1,057,060 and \$907,453 for 2017 and 2016, 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 balances sheets and account group as of December 31, 2017, 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, 2017 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.

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 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 June 22, 2018 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

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

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. Wielkotz, C.P.A.
Registered Municipal Accountant
No. CRO0413



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

June 22, 2018

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2017 and 2016

<u>Assets</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Current Fund:			
Cash and Investments	A-4	\$ 8,600,673	5,973,299
Cash - Change Funds	A-5	450	450
Due from State of N.J. (Ch. 20, P.L. 1971)	A-7	41,460	40,611
Grants Receivable	A-23	<u> </u>	<u>26,820</u>
		<u>8,642,583</u>	<u>6,041,180</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-8	478,594	484,097
Tax Title Liens Receivable	A-9	7,854	17,552
Revenue Accounts Receivable	A-10	12,746	15,749
Accounts Receivable	A-11	11,263	97,191
Interfund Receivables:			
Animal License Trust Fund	A-12	3,587	6,618
Other Trust Fund	A-12	117,501	<u> </u>
General Capital Fund	A-12	<u>1,164</u>	<u>87</u>
		<u>632,709</u>	<u>621,294</u>
Deferred Charges:			
Emergency Authorizations	A-13	<u> </u>	<u>50,000</u>
		<u> </u>	<u>50,000</u>
Federal and State Grant Fund:			
Due from Current Fund	A	71,962	<u> </u>
Grants Receivable	A-23	<u>23,592</u>	<u> </u>
		<u>95,554</u>	<u> </u>
		<u>\$ 9,370,846</u>	<u>6,712,474</u>

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2017 and 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund - Liabilities:			
Appropriation Reserves	A-3, A-14	1,019,730	1,219,055
Encumbrances Payable	A-15	585,408	621,272
Interfunds Payable:			
Open Space Trust Fund	A-12	78	195
Federal and State Grant Fund	A-22	71,962	
Prepaid Taxes	A-16	2,347,983	281,791
Reserve for Tax Appeals	A-17	11,549	20,000
Tax Overpayments	A-18	7,757	903
County Taxes Payable	A-19	4,511	11,065
Miscellaneous Reserves	A-21	4,082	6,400
Federal and State Grants - Appropriated	A-23		74,271
Federal and State Grants - Unappropriated	A-24		6,023
		<hr/>	<hr/>
		4,053,060	2,240,975
Reserve for Receivables and Other Assets	A	632,709	621,294
Fund Balance	A-1	<hr/>	<hr/>
		4,589,523	3,850,205
Federal and State Grant Fund			
Encumbrances Payable	A-24	11,319	
Appropriated Grant Reserves	A-24	47,829	
Unappropriated Grant Reserves	A-25	<hr/>	
		36,406	
		<hr/>	
		95,554	
		<hr/>	
		\$ 9,370,846	<hr/>
		<hr/>	<hr/>
		6,712,474	

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, 2017

	<u>2017</u>	<u>2016</u>
Revenue and Other Income Realized:		
Fund Balance Utilized	\$ 1,510,874	1,356,000
Miscellaneous Revenue Anticipated	2,893,130	2,653,199
Receipts from Delinquent Taxes	478,368	437,321
Receipts from Current Taxes	53,017,626	52,059,708
Non-Budget Revenue	650,305	526,146
Other Credits to Income:		
Unexpended Balance of Appropriation Reserves	1,002,560	1,080,687
Interfunds Returned	92,633	144,393
Liabilities cancelled	22,608	
	<hr/>	<hr/>
Total Revenues and Other Income	<u>59,668,104</u>	<u>58,257,454</u>
Expenditures:		
Budget Appropriations:		
Operations:		
Salaries and Wages	8,253,607	8,310,924
Other Expenses	8,915,543	8,735,201
Capital Improvements	250,000	250,000
Municipal Debt Service	1,045,304	1,059,613
Deferred Charges and Statutory Expenditures	1,799,335	1,781,990
Local School District Tax	32,407,382	31,524,204
County Taxes	4,424,920	4,461,814
County Share of Added and Omitted Taxes	4,511	11,065
County Open Space Tax	183,167	45,886
Local Open Space Tax	78,967	78,967
Local Open Space Added Tax	78	195
Refund of Prior Year Taxes and Revenues	6,283	
Interfund Advances	48,815	102,568
	<hr/>	<hr/>
Total Expenditures	<u>57,417,912</u>	<u>56,362,427</u>
Excess in Revenue	2,250,192	1,895,027

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

Current Fund

Year ended December 31, 2017

	<u>2017</u>	<u>2016</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred		
Charges to Budget of Succeeding Year	<u> </u>	<u>50,000</u>
Statutory Excess to Fund Balance	2,250,192	1,945,027
Fund Balance, January 1	<u>3,850,205</u>	<u>3,261,178</u>
	6,100,397	5,206,205
Decreased by Utilized as Anticipated Revenue	<u>1,510,874</u>	<u>1,356,000</u>
Fund Balance, December 31	<u>\$ 4,589,523</u>	<u>3,850,205</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD
Statement of Revenues - Regulatory Basis

Current Fund

Year ended December 31, 2017

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Fund Balance Anticipated	\$ 1,510,874	1,510,874	
Miscellaneous Revenues:			
Licenses:			
Alcoholic Beverages	15,000	16,880	1,880
Other	40,000	39,753	(247)
Fees and Permits:			
Construction Code Official	150,000	387,476	237,476
Other	2,700	3,150	450
Fines and Costs - Municipal Court	136,000	206,664	70,664
Interest and Costs on Taxes	92,000	105,818	13,818
Energy Receipts Tax	1,615,078	1,615,078	
Interest on Investments and Deposits	3,500	5,793	2,293
Fire Safety Fees	9,000	9,252	252
Recreation Fees	18,300	66,625	48,325
Recycling Tonnage Grant	18,646	18,646	
Clean Communities Program	29,986	29,986	
Municipal Alliance	11,677	11,677	
Bulletproof Vest Partnership Program	111	111	
Click it or Ticket	676	676	
Title III	21,890	21,890	
Body Armor Grant	4,026	4,026	
Alcohol Education and Rehabilitation Grant	451	451	
Drive Sober or Get Pulled Over	11,000	11,000	
Distracted Driving Enforcement Grant	4,514	4,514	
Life Hazard Use Fees	10,000	10,498	498
Cable TV Franchise Fee	231,166	231,166	
Recycling Revenue	19,000	26,665	7,665
Cell Tower Rent - Gaelic Communications	59,000	65,335	6,335
Total Miscellaneous Revenues	<u>2,503,721</u>	<u>2,893,130</u>	<u>389,409</u>
Receipts from Delinquent Taxes	<u>450,000</u>	<u>478,368</u>	<u>28,368</u>
Amount to be Raised by Taxes for Support of Municipal Budget - Local Tax for Municipal Purposes	<u>16,361,000</u>	<u>16,476,601</u>	<u>115,601</u>
Budget Totals	<u>\$ 20,825,595</u>	<u>21,358,973</u>	<u>533,378</u>

BOROUGH OF NEW MILFORD
Statement of Revenues - Regulatory Basis

Current Fund

Year ended December 31, 2017

Non Budget Revenue		650,305
		<u>\$ 22,009,278</u>
Allocation of Current Tax Collections:		
Revenue from Collections		\$ 53,017,626
Allocated to:		
School and County Taxes	\$ 37,019,980	
Local Open Space Tax	<u>79,045</u>	
		<u>37,099,025</u>
Balance for Support of Municipal Budget		15,918,601
Add Appropriated Reserve for Uncollected Taxes		<u>558,000</u>
Amount for Support of Municipal Budget		<u>\$ 16,476,601</u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		467,522
Municipal Lien Redemption		<u>10,846</u>
		<u>\$ 478,368</u>
Fees and Permits - Other:		
Borough Clerk		<u>\$ 3,150</u>
Non-Budget Revenue:		
Bergen County Utility Authority		19,735
Insurance Reimbursement		82,284
Housing		5,154
FEMA		276,052
Voided Checks		8,340
Offsets not applied		124,065
Miscellaneous		12,406
Police - Outside Duty		90,000
LOSAP Forfeitures		4,346
Gaelic Communications		25,923
Senior Citizen/Veteran Deduction Refunds		<u>2,000</u>
		<u>\$ 650,305</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

<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>
Operations within "CAPS"					
General Government					
General Administration:	\$ 49,350	49,350	45,719	3,631	
Salaries & Wages					
Mayor and Council:	14,500	14,200	14,150	50	
Salaries & Wages	7,500	7,800	7,800		
Other Expenses					
Municipal Clerk:	233,000	239,000	238,678	322	
Salaries & Wages	157,000	210,000	187,823	22,177	
Other Expenses					
Municipal Court:	144,000	144,000	143,107	893	
Salaries & Wages	13,500	13,500	7,332	6,168	
Other Expenses					
Financial Administration:	45,000	45,000	42,617	2,383	
Other Expenses	40,600	40,600	34,600	6,000	
Audit Services					
Collection of Taxes:	196,641	196,641	192,305	4,336	
Salaries & Wages	28,800	32,300	31,955	345	
Other Expenses					
Assessment of Taxes:	57,800	57,800	56,522	1,278	
Salaries & Wages	17,600	17,600	5,512	12,088	
Other Expenses					
Legal Services & Costs:	125,000	125,000	83,928	41,072	
Other Expenses					
Engineering Services & Costs:	19,300	19,300	16,516	2,784	
Other Expenses					
Public Defender:	4,000	4,000		4,000	
Salaries and wages					

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<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	7,000	1,808	5,192	
Other Expenses	16,675	16,675	12,722	3,953	
Zoning Board of Adjustment:					
Salaries & Wages	1,260	1,260	570	690	
Other Expenses	11,725	11,725	6,171	5,554	
Insurance					
Liability	63,000	63,000	44,306	18,694	
Liability (Bergen Joint Insurance Fund)	325,000	325,000	313,426	11,574	
Worker's Compensation Insurance (B/JIF)	313,500	313,500	313,273	227	
Employee Group Insurance	2,260,000	2,260,000	2,149,499	110,501	
Health Benefit Waiver	14,000	14,000	13,509	491	
Disability Insurance	20,000	20,000		20,000	
Police Department:					
Salaries & Wages	4,735,000	4,735,000	4,539,014	195,986	
Other Expenses	301,000	301,000	258,174	42,826	
Emergency Management Services:					
Salaries & Wages	4,750	4,750	4,750		
Other Expenses	16,040	16,040	8,577	7,463	
Police Auxiliary	10,000	10,000	8,645	1,355	
Fire:					
Salaries & Wages	3,000	3,100	3,075	25	
Misc. Other Expenses	108,650	108,550	88,739	19,811	
First Aid Organization	26,000	26,000	26,000		
Holy Name Hospital	10,250	10,250	10,210	40	
Fire Official:					
Salaries & Wages	16,500	16,500	15,451	1,049	
Other Expenses	2,300	2,300	1,977	323	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

<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>
Public Works Functions					
Road Repairs and Maintenance:					
Salaries & Wages	1,732,105	1,686,605	1,662,805	23,800	
Other Expenses	225,000	261,000	205,798	55,202	
Garbage and Trash Removal:					
Other Expenses	890,000	890,000	850,228	39,772	
Recycling:					
Salaries & Wages	55,000	55,000	52,274	2,726	
Other Expenses	103,500	108,500	104,151	4,349	
Public Buildings and Grounds:					
Salaries & Wages	91,405	93,405	89,270	4,135	
Other Expenses	87,500	87,500	84,297	3,203	
Vehicle Maintenance:					
Other Expenses	165,000	165,000	139,356	25,644	
Health and Human Services					
Board of Health:					
Salaries & Wages	131,500	131,500	129,624	1,876	
Other Expenses	82,840	82,840	68,121	14,719	
Environmental Committee:					
Salaries & Wages	770	770	630	140	
Other Expenses	975	975		975	
Animal Control Services:					
Other Expenses	22,000	22,000	21,930	70	
Parks and Recreation Functions					
Recreation:					
Salaries & Wages	116,000	116,000	109,319	6,681	
Other Expenses	127,800	127,800	120,265	7,535	
Historical Commission					
Other Expenses	1,000	1,000	814	186	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

	<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	7,500	7,500	6,500	1,000	
Other Expenses					
Senior Citizen Program:					
Salaries & Wages	159,000	159,000	152,711	6,289	
Miscellaneous Other Expenses	30,775	30,775	26,656	4,119	
Beautification Committee					
Other expenses	600	600	597	3	
Uniform Construction Code					
Salaries and wages	137,300	137,300	134,993	2,307	
Other expenses	11,250	11,250	8,526	2,724	
Rent Leveling Board:					
Salaries & Wages	750	750	300	450	
Other expenses	2,500	2,500	562	1,938	
Unclassified:					
Celebration of Public Events:					
Other Expenses	6,000	6,000	4,358	1,642	
Utility Expenses and Bulk Purchases:					
Electricity	175,000	175,000	132,813	42,187	
Street Lighting	140,000	140,000	123,801	16,199	
Telephone	55,000	70,000	68,647	1,353	
Water	260,000	260,000	222,359	37,641	
Gas & Oil	125,000	125,000	84,819	40,181	
Accumulated Absences	400,000	400,000	400,000		
Salary and Wage Adjustment	75,000				
Total Operations within "CAPS"	14,837,311	14,837,311	13,934,984	902,327	
Detail:					
Salaries & Wages	8,365,631	8,252,931	7,987,075	265,856	
Other Expenses	6,471,680	6,584,380	5,947,909	636,471	
Total	14,837,311	14,837,311	13,934,984	902,327	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

<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>
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	365,000	365,000	356,542	8,458	
Public Employees' Retirement System	397,184	397,184	397,184		
Police and Firemen's Retirement System of NJ	947,151	947,151	947,151		
DCRP	8,000	8,000	8,000		
Unemployment	32,000	32,000	32,000		
Total Deferred Charges and Statutory Expenditures	1,749,335	1,749,335	1,740,877	8,458	
Total General Appropriations for Municipal Purposes within "CAPS"	16,586,646	16,586,646	15,675,861	910,785	
Operations - Excluded from "CAPS"					
Bergen County Utilities Authority					
Service Charges - Operating	1,385,988	1,385,988	1,379,583	6,405	
Maintenance of Free Public Library	767,874	767,874	740,334	27,540	
LOSAP	75,000	75,000	75,000		
Total Other Operations - Excluded from "CAPS"	2,228,862	2,228,862	2,119,917	108,945	
Public and Private Programs Offset by Revenues					
Drunk Driving Enforcement Fund					
Police					
Body Armor Replacement Program	4,026	4,026	4,026		
Title III	21,890	21,890	21,890		
Recycling Tonnage Grant	18,646	18,646	18,646		
Bulletproof Vest Partnership Program	111	111	111		
Drive Sobet or Get Pulled Over	11,000	11,000	11,000		
Distracted Driver	4,514	4,514	4,514		

BOROUGH OF NEW MILFORD
Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

General Appropriations:	Budget	Budget after Modification and Transfers	Paid or Committed	Reserved	Unexpended Balance Cancelled
Municipal Alliance	11,677	11,677	11,677		
Click it or Ticket	676	676	676		
Clean Communities	29,986	29,986	29,986		
Alcohol Education and Rehabilitation	451	451	451		
Total Public and Private Programs Offset by Revenues	<u>102,977</u>	<u>102,977</u>	<u>102,977</u>		
Total Operations-Excluded from "CAPS"	2,331,839	2,331,839	2,222,894	108,945	
Detail:					
Salaries and Wages	676	676	676		
Other Expenses	2,331,163	2,331,163	2,222,218	108,945	
Total	<u>2,331,839</u>	<u>2,331,839</u>	<u>2,222,894</u>	<u>108,945</u>	
Capital Improvements - Excluded from "CAPS"	250,000	250,000	250,000		
Capital Improvement Fund	250,000	250,000	250,000		
Total Capital Improvements - Excluded from "CAPS"	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>		
Municipal Debt Service-Excluded from "CAPS"	670,000	670,000	670,000		
Payment of Bond Principal	270,400	270,400	270,369		31
Interest on Bonds	29,500	29,500	29,220		280
New Jersey Environmental Infrastructure Trust: Repayments for Principal and Interest	79,210	79,210	75,715		3,495
Total Municipal Debt Service-Excluded from "CAPS"	<u>1,049,110</u>	<u>1,049,110</u>	<u>1,045,304</u>		<u>3,806</u>
Deferred Charges:					
Emergency Authorizations	50,000	50,000	50,000		
Total Deferred Charges	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>		

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2017

<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>
Total General Appropriations for Municipal Purposes Excluded from "CAPS"	<u>3,680,949</u>	<u>3,680,949</u>	<u>3,568,198</u>	<u>108,945</u>	<u>3,806</u>
Subtotal General Appropriations	20,267,595	20,267,595	19,244,059	1,019,730	3,806
Reserve for Uncollected Taxes	<u>558,000</u>	<u>558,000</u>	<u>558,000</u>		
Total General Appropriations	<u>\$ 20,825,595</u>	<u>20,825,595</u>	<u>19,802,059</u>	<u>1,019,730</u>	<u>3,806</u>
	Adopted Budget	20,779,644			
	Amended per N.J.S.A. 40A: 4-87	45,951			
	<u>\$ 20,825,595</u>				
		Encumbrances \$	585,408		
		Deferred Charges	50,000		
		Reserve for Uncollected Taxes	558,000		
		Federal and State Grant Fund	102,977		
		Cash Disbursements	<u>18,505,674</u>		
			<u>\$ 19,802,059</u>		

See accompanying notes to financial statements

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BOROUGH OF NEW MILFORD

Comparataive Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2017 and 2016

<u>Assets</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Animal License Fund:			
Cash	B-1	\$ <u>19,305</u>	<u>20,847</u>
Other Trust Fund:			
Cash	B-1	<u>2,568,543</u>	<u>1,261,665</u>
Unemployment Compensation Insurance Fund:			
Cash	B-1	<u>105,518</u>	<u>88,461</u>
Medical Claims Trust:			
Cash	B-1	<u>130,143</u>	<u>81,434</u>
Community Development Trust Fund:			
Cash	B-1	<u>8</u>	<u>8</u>
Open Space Trust Fund:			
Cash	B-1	99,108	20,004
Due from Current Fund	B-9	78	195
		<u>99,186</u>	<u>20,199</u>
Recreation Trust Fund:			
Cash	B-1	<u>18,073</u>	<u>648</u>
Emergency Services Volunteer Length of Service Award Program			
Cash in Plan	B-1	999,510	853,126
Contribution Receivable	B-13	57,550	54,327
		<u>1,057,060</u>	<u>907,453</u>
		<u>\$ 3,997,836</u>	<u>2,380,715</u>

BOROUGH OF NEW MILFORD

Comparataive Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2017 and 2016

		<u>2017</u>	<u>2016</u>
<u>Liabilities and Reserves</u>			
Animal License Fund:			
Due to Current Fund	B-9	3,587	6,618
Reserve for Animal License Fund Expenditures	B-2	15,715	14,225
Due to State of New Jersey	B-3	3	4
		<u>19,305</u>	<u>20,847</u>
Other Trust Fund:			
Due to Current Fund	B-9	117,501	
Reserve for Various Deposits	B-8	2,451,042	1,261,665
		<u>2,568,543</u>	<u>1,261,665</u>
Unemployment Compensation Insurance Fund:			
Reserve for Unemployment Compensation	B-5	105,243	87,860
Due to State of NJ	B-6	275	601
		<u>105,518</u>	<u>88,461</u>
Medical Claims Trust:			
Reserve for Payment of Medical Claims	B-7	130,143	81,434
Community Development Trust Fund:			
Due to County of Bergen	B-11	7	7
Reserve for Community Development Grant Expenditures	B-10	1	1
		<u>8</u>	<u>8</u>
Open Space Trust Fund:			
Reserve for Open Space Trust Expenditures	B-4	99,186	20,112
Due to General Capital Fund	B-9		87
		<u>99,186</u>	<u>20,199</u>
Recreation Trust Fund:			
Reserve for Expenditures	B-12	18,073	648
Emergency Services Volunteer Length of Service Award Program			
Net Assets Available for Benefits	B-14	1,057,060	907,453
		<u>\$ 3,997,836</u>	<u>2,380,715</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2017 and 2016

<u>Assets</u>	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Cash and Investments	C-2,C-3	\$ 1,315,398	1,633,710
Deferred charges to future taxation:			
Funded	C-4	10,093,973	10,820,307
Unfunded	C-5	10,462,060	7,074,995
Grants and Contributions Receivable:			
Community Development Block Grant	C-6		185,616
Bergen County Open Space Trust Fund	C-7	78,166	78,166
State Department of Transportation	C-8	202,877	318,250
Board of Education	C-9	70,000	40,000
Green Acres Program	C-11	647,500	
Interfunds Receivable	C-12		87
		<u>\$ 22,869,974</u>	<u>20,151,131</u>

BOROUGH OF NEW MILFORD
Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2017 and 2016

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds Payable	C-13	\$ 9,570,000	10,240,000
New Jersey Environmental Infrastructure Trust:			
Fund Loan Payable	C-14	182,973	214,307
Trust Loan Payable	C-15	341,000	366,000
Bond Anticipation Notes	C-16	6,683,900	2,817,435
Improvement authorizations:			
Funded	C-17	707,882	472,400
Unfunded	C-17	3,130,149	979,143
Interfunds Payable	C-12	1,164	87
Capital Improvement Fund	C-18	10,690	174,838
Reserve for:			
Legislative Grant	C-19	30,000	30,000
Grants Receivable	C-20	647,500	374,116
Payment of Debt/Notes	C-21	349,892	68,892
Contracts Payable	C-22	1,112,740	4,397,265
Green Acres	C-21		46
Preliminary Expenses	C-24	85,301	
Fund Balance	C-1	16,783	16,602
		<u>\$ 22,869,974</u>	<u>20,151,131</u>

There were bonds and notes authorized but not issued on December 31, 2017 and 2016 in the amount of \$3,778,160 and \$4,295,060 respectively (Exhibit C-25)

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Schedule of Capital Fund Balance - Regulatory Basis

General Capital Fund

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Balance - December 31, 2016	\$ 16,602	86,100
Increased by:		
Grant Proceeds	181	
Permanently Funded Improvement Authorizations Cancelled		16,219
	<u>181</u>	<u>16,219</u>
	16,783	102,319
Decreased by:		
Appropriated to Finance Improvement Authorizations		85,717
Balance - December 31, 2017	<u>\$ 16,783</u>	<u>16,602</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, 2017 and 2016

			<u>2017</u>	<u>2016</u>
	<u>Assets</u>			
Cash		E-1	\$ <u>18,708</u>	<u>16,437</u>
			\$ <u>18,708</u>	<u>16,437</u>
	<u>Liabilities</u>			
Reserve for Goodwill Assistance		E-2	\$ <u>18,708</u>	<u>16,437</u>
			\$ <u>18,708</u>	<u>16,437</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
General fixed assets:		
Land	\$ 36,878,288	36,878,288
Buildings	4,654,387	4,654,387
Vehicles and equipment	<u>6,011,079</u>	<u>5,512,820</u>
Investment in general fixed assets	<u>\$ 47,543,754</u>	<u>47,045,495</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, 2017 and 2016

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, 2017 and 2016
(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, 2017 and 2016
(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, 2017 and 2016
(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, 2017 and 2016
(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 2017, the Mayor and Council approved additional revenues and appropriations of \$45,951 in accordance with N.J.S.A. 40A:4-87 along with several budget transfers.

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, 2017 and 2016
(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, 2017 and 2016
(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.

Recent Accounting Pronouncements

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment 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. The Borough does not believe this Statement will have any effect on future financial statements.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

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

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

Basis of Accounting, (continued)

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. The Borough does not believe this Statement will have any effect on future financial statements.

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, *Tax Abatement Disclosures*, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Borough does not believe this Statement will have any effect on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Borough does not believe this Statement will have any effect on future financial statements.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

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

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

Basis of Accounting, (continued)

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Borough does not believe this Statement will have any effect on future financial statements.

In January 2016, the Government Accounting Standards Board issued GASB Statement No. 80, *Blending Requirements for Certain Component Units*, which provides clarity about how certain component units incorporated as not-for-profit corporations should be presented in the financial statements of the primary state or local government. The Borough does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Borough does not believe this Statement will have any effect on future financial statements.

In March 2016, the Government Accounting Standards Board issued GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statement No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement is effective for reporting periods beginning after June 15, 2016. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

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

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

Basis of Accounting, (continued)

In November 2016, the Government Accounting Standards Board issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflows of resources for asset retirement obligations (AROs). The Borough does not believe this Statement will have any effect on future financial statements.

In January 2017, the Government Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify component units and postemployment benefit arrangements that are fiduciary activities. The Borough is currently evaluating the effects, if any, this Statement may have on future financial statements.

In March 2017, the Government Accounting Standards Board issued GASB Statement No. 85, *Omnibus 2017*, which addresses practice issues that have been identified during the implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

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

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, 2017 and 2016, \$-0- of the Borough's bank balance of \$13,089,971 and \$9,356,741, 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.

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.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

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

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, 2017 and 2016 amounted to \$999,510 and \$853,126, respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Fixed Income	\$288,170	\$261,921
Fidelity VIP Contrafund Portfolio	97,786	80,778
LVIP SSgA S&P 500 Index Fund	460,941	372,671
All Others	<u>152,613</u>	<u>137,756</u>
 Total	 <u>\$999,510</u>	 <u>\$853,126</u>

NOTE 3: TAXES RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
Property Taxes	<u>\$486,448</u>	<u>\$501,649</u>

In 2017 and 2016, the Borough collected \$478,368 and \$437,321 from delinquent taxes, which represented 95% and 95% of the prior year delinquent tax receivable balances.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

NOTE 4: MUNICIPAL DEBT

Long-term debt as of December 31, 2017 and 2016 consisted of the following:

<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	\$10,240,000	\$ _____	\$670,000	\$9,570,000	\$695,000
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	2,420,946	405,560	286,690	2,539,816	_____
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>

<u>2016</u>	<u>Balance</u> <u>Dec. 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Dec. 31, 2016</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable:					
General Obligation Debt	\$10,950,000	\$ _____	\$710,000	\$10,240,000	\$670,000
Total Bonds Payable	<u>10,950,000</u>	<u>_____</u>	<u>710,000</u>	<u>10,240,000</u>	<u>670,000</u>
Other Liabilities:					
Pension Deferral	466,334	33,206	70,544	428,996	33,309
New Jersey Environmental Infrastructure Trust Loans Payable	740,642		160,335	580,307	56,334
Compensated Absences Payable	2,587,144	_____	166,198	2,420,946	_____
Total Other Liabilities	<u>3,794,120</u>	<u>33,206</u>	<u>397,077</u>	<u>3,430,249</u>	<u>89,643</u>
	<u>\$14,744,120</u>	<u>\$33,206</u>	<u>\$1,107,077</u>	<u>\$13,670,249</u>	<u>\$759,643</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, 2017 and 2016
(continued)

NOTE 4: MUNICIPAL DEBT, (continued)

The Borough's debt is summarized as follows:

	<u>Year 2017</u>	<u>Year 2016</u>	<u>Year 2015</u>
Issued:			
General Bonds, Notes and Loans	\$16,777,873	\$13,637,742	\$12,131,132
Less: Funds Temporarily Held to Pay			
Bonds and Notes	<u>349,892</u>	<u>106,392</u>	<u>135,447</u>
Net Debt Issued	<u>16,427,981</u>	<u>13,531,350</u>	<u>11,995,685</u>
Authorized But Not Issued:			
General Bonds and Notes	<u>3,778,160</u>	<u>4,295,060</u>	<u>5,972,717</u>
Total Authorized But Not Issued	<u>3,778,160</u>	<u>4,295,060</u>	<u>5,972,717</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$20,206,141</u>	<u>\$17,826,410</u>	<u>\$17,968,402</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 1.106% 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%.

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 0.986% for 2016.

	<u>2016</u>	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District		\$1,725,000	\$1,725,000	\$0
General Debt		<u>17,932,802</u>	<u>106,392</u>	<u>17,826,410</u>
		<u>\$19,657,802</u>	<u>\$1,831,392</u>	<u>\$17,826,410</u>

Net Debt of \$17,826,410 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$1,826,103,091 = 0.986%.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

NOTE 4: MUNICIPAL DEBT, (continued)

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

	<u>2017</u>	<u>2016</u>
3 ½% of Equalized Valuation Basis (Municipal)	\$63,963,563	\$63,267,757
Net Debt	<u>20,206,141</u>	<u>17,826,410</u>
Remaining Borrowing Power	<u>\$43,757,422</u>	<u>\$45,441,347</u>

The Borough's long term debt consisted of the following at December 31, 2017:

Paid by Current Fund:

<u>General Obligation Bonds</u>	<u>2017</u>	<u>2016</u>
\$8,610,000 General Improvement Bonds - with an interest rate of 1.50% issued December 1, 2005, due through February 1, 2033	\$7,835,000	\$8,135,000
\$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>1,735,000</u>	<u>2,105,000</u>
	<u>\$9,570,000</u>	<u>\$10,240,000</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>2017</u>	<u>2016</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%	\$341,000	\$366,000
\$616,250, 2010 Fund Loan, due in annual installments of \$10,445 to \$20,890 through August 1, 2023, no interest	<u>182,973</u>	<u>214,307</u>
	<u>\$523,973</u>	<u>\$580,307</u>

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(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>
2018	\$1,027,485	\$56,335	\$22,250	\$695,000	\$253,900
2019	1,022,741	56,335	21,000	710,000	235,406
2020	1,023,079	53,335	19,750	735,000	214,994
2021	1,029,678	53,334	18,250	765,000	193,094
2022	829,866	53,335	17,550	580,000	178,981
2023-2027	3,771,855	156,299	70,050	2,835,000	710,506
2028-2032	3,199,362	95,000	25,300	2,750,000	329,062
2033	515,625			500,000	15,625
	<u>\$12,419,691</u>	<u>\$523,973</u>	<u>\$194,150</u>	<u>\$9,570,000</u>	<u>\$2,131,568</u>

At December 31, 2017 and 2016, the Borough had authorized but not issued debt of \$3,778,160 and \$4,295,060, 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, 2017, the Borough had \$6,683,900 in outstanding bond anticipation notes which matured on April 12, 2018 at 1.21% 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, 2017 and 2016
(continued)

NOTE 5: BOND ANTICIPATION NOTES, (continued)

The following activity related to bond anticipation notes occurred during the calendar years ended December 31, 2017 and 2016:

<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>
<u>2016</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
TD Bank, N.A.	<u>\$440,490</u>	<u>\$2,817,435</u>	<u>\$440,490</u>	<u>\$2,817,435</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, 2017.

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, 2017 and 2016
(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 50 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, 2017 and 2016
(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, 2017 and 2016
(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>
2017	\$382,189	\$890,896	\$8,000
2016	359,705	994,385	7,000
2015	330,975	933,531	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, 2017, the Borough had a liability of \$10,349,743 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Borough's proportion was .0444607106 percent, which was an increase of .00164271 percent from its proportion measured as of June 30, 2016.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(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, 2017, the Borough recognized pension expense of \$382,189. At December 31, 2017, 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	\$243,701	\$
Changes of assumptions	2,085,117	2,077,472
Net difference between projected and actual earnings on pension plan investments	70,475	
Changes in proportion and differences between the Borough's contributions and proportionate share of contributions	797,567	86,105
Borough contributions subsequent to the measurement date	_____	_____
Total	<u>\$3,196,860</u>	<u>\$2,163,577</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2017) 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:	
2018	\$243,643
2019	367,663
2020	222,785
2021	(296,305)
2022	(215,967)

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(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 5.48, 5.57, 5.72 and 6.44 years for 2017, 2016, 2015 and 2014 amounts, respectively.

Additional Information

Local Group Collective balances at June 30, 2017 and June 30, 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective deferred outflows of resources	\$6,424,455,842	\$8,685,338,380
Collective deferred inflows of resources	5,700,625,981	870,133,595
Collective net pension liability	23,278,401,588	29,617,131,759
Borough's Proportion	.0444607106%	.0428180004%

Actuarial Assumptions

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. 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, 2017 and 2016
(continued)

NOTE 7. PENSION PLANS, (continued)

Public Employees Retirement System (PERS), (continued)

The actuarial assumptions used in the June 30, 2016 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 plans actuary's modified MP-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 and a one year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. 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, 2017) 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, 2017 are summarized in the following table:

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(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>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
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 5.00% as of June 30, 2017. 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 3.58% as of June 30, 2017 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 40% 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 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 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, 2017 and 2016
(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, 2017, 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, 2017		
	1% Decrease <u>4.00%</u>	At Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Borough's proportionate share of the pension liability	\$12,839,558	\$10,349,743	\$8,275,418

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, 2017, the Borough had a liability of \$16,683,318 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Borough's proportion was .1080661077 percent, which was a decrease of .0012006218 percent from its proportion measured as of June 30, 2016.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (continued)

For the year ended December 31, 2017, the Borough recognized pension expense of \$890,896. At December 31, 2017, 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	\$108,232	\$
Changes of assumptions	2,057,239	2,732,240
Net difference between projected and actual earnings on pension plan investments	318,357	97,917
Changes in proportion and differences between Borough contributions and proportionate share of contributions	71,591	709,746
Borough contributions subsequent to the measurement date	_____	_____
Total	<u>\$2,555,419</u>	<u>\$3,539,903</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2017) 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:	
2018	\$203,007
2019	549,805
2020	112
2021	(761,963)
2022	(337,291)

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 5.59, 5.58, 5.53 and 6.17 years for 2017, 2016, 2015 and 2014 amounts respectively.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (continued)

Additional Information

Local Group Collective balances at June 30, 2017 and June 30, 2016 are as follows:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Collective deferred outflows of resources	\$2,941,952,753	\$4,547,316,543
Collective deferred inflows of resources	3,262,432,093	688,197,590
Collective net pension liability	17,167,260,198	20,706,699,056
Borough's Proportion	.1080661077%	.1092667295%

Actuarial Assumptions

The collective total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which rolled forward to June 30, 2017. 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

Pre-retirement mortality rates were based on the RP-2000 Pre-retirement mortality tables projected thirteen years using Projection Scale BB and then projected on a generational basis using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for male service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected one year using Projection Scale AA and two years using the plan actuary's modified 2014 projection scales. Post-retirement mortality rates for female service retirements and beneficiaries are based on the RP-2000 Combined Healthy Mortality Tables projected thirteen years using Projection Scale BB and then two years using the plan actuary's modified 2014 projection scales, which was further projected on a generational basis using the plan actuary's modified 2014 projection scales. Disability mortality rates were based on special mortality tables used for the period after disability.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

NOTE 7. PENSION PLANS, (continued)

Police and Firemen's Retirement System, (continued)

Mortality Rates, (continued)

The actuarial assumptions used in the July 1, 2016 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, 2017) 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
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, 2017 and 2016
(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 6.14% as of June 30, 2017. 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 3.58% as of June 30, 2017 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 40% 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 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057, 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, 2017, 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, 2017		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>5.14%</u>	<u>6.14%</u>	<u>7.14%</u>
Borough's proportionate share of the pension liability	\$24,443,774	\$16,683,318	\$13,711,219

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.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2017 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2018 were as follows:

Current Fund \$2,000,000

NOTE 9: FIXED ASSETS

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

<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>
<u>2016</u>	<u>Balance Dec.31, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance Dec.31, 2016</u>
Land	\$36,878,288	\$	\$	\$36,878,288
Buildings and Improvements	4,654,387			4,654,387
Machinery and Equipment	<u>4,989,083</u>	<u>552,521</u>	<u>28,794</u>	<u>5,512,810</u>
	<u>\$46,521,758</u>	<u>\$552,521</u>	<u>\$28,794</u>	<u>\$47,045,485</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 \$2,539,816. 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, 2017 and 2016
(continued)

NOTE 11: INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2017 consist of the following:

\$117,501	Due to the Current Fund from the Other Trust Fund for the unallocated balances in the Net Payroll and Payroll accounts, a municipal lien redemption deposited in error, interest on investments and outside police duty collections.
3,587	Due to the Current Fund from the Animal License Trust Fund for the statutory excess calculation.
1,164	Due to the Current Fund from the General Capital Fund for interest earned on investments not transferred prior to year end.
78	Due to the Municipal Open Space Trust Fund from the Current Fund for added/omitted taxes collected not turned over.
<u>71,962</u>	Due to the Federal and State Grant Fund from the Current Fund for grants received less reimbursement of expenses paid.
<u>\$194,292</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 2017 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, 2017 and 2016, the Borough has available in the Medical Claims Trust Fund \$130,143 and \$81,434, respectively, for the payment of these claims.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(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, 2017 and 2016
(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>
2017	\$32,000	\$13,735	\$28,400	\$105,243
2016	32,000	6,755	15,159	87,860
2015	32,000	9,781	21,852	64,223

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, 2017</u>	<u>Balance Dec 31, 2016</u>
Prepaid Taxes	<u>\$2,347,983</u>	<u>\$281,791</u>
Cash Liability for Taxes Collected in Advance	<u>\$2,347,983</u>	<u>\$281,791</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, 2017 and 2016
(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 \$1,393 and \$1,393 for 2017 and 2016, 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, 2017 and 2016
(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, 2017, 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

In addition to the pension benefits described in Note 8, 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.

Plan Description

The Borough provides a post employment healthcare plan for its eligible retirees and their spouses. The plan is a single-employer defined benefit healthcare plan administered by the Borough. In accordance with Borough ordinances, contracts and/or policies, the Borough provides benefits to any employee retiree with at least 25 years of service with the Borough.

Funding Policy

The required contribution is funded on a pay-as-you-go basis with an additional amount to prefund benefits as determined annually by the Borough. For the year 2017, the Borough contributed \$269,861 to the plan.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

NOTE 17: OTHER POST EMPLOYMENT BENEFITS, (continued)

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Borough's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the plan.

Annual Required Contribution	\$700,000
Interest on Net OPEB Obligation	125,810
Adjustment to Annual Required Contribution	<u>(130,000)</u>
Total (Annual OPEB Cost (Expense))	695,810
Contributions Made	<u>269,861</u>
Increase in Net OPEB Obligation	425,949
Net OPEB Obligation - Beginning of Year	<u>2,795,794</u>
Net OPEB Obligation - End of Year	<u><u>\$3,221,743</u></u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2017, 2016 and 2015 were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2017	\$695,810	38.78%	\$3,221,743
2016	685,340	66.05%	2,794,794
2015	670,000	59.70%	2,563,108

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2017 and 2016
(continued)

NOTE 17: OTHER POST EMPLOYMENT BENEFITS, (continued)

Funded Status and Funding Progress

As of December 31, 2015, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$8,390,000, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,390,000. The covered payroll (annual payroll of active employees covered by the plan) was \$6,752,196, and the ratio of the UAAL to the covered payroll was 124 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expense) which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 0.5 percent per year through year 7 to 5 percent thereafter. Both rates included a 3 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2017 was 28 years.

NOTE 18: SUBSEQUENT EVENT

The Borough has evaluated subsequent events through June 22, 2018, the date which the financial statements were available to be issued and no other items were noted for disclosure.

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SUPPLEMENTARY DATA

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BOROUGH OF NEW MILFORD

Supplementary Data

Comparative Schedule of Tax Rate Information

		<u>2017</u>	<u>2016</u>	<u>2015</u>
Tax rate	\$	3.380	3.322	3.255
Apportionment of tax rate:				
Municipal		0.996	1.034	1.034
Municipal Open Space		0.005	0.005	0.005
Library		0.039		
County		0.291	0.286	0.272
Local school		<u>2.049</u>	<u>1.997</u>	<u>1.944</u>
Assessed valuation:				
2017			\$ 1,581,946,686	
2016			1,579,347,551	
2015			1,570,433,135	

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>
2017	\$ 53,522,196	53,017,626	99.06%
2016	52,594,859	52,079,708	99.02%
2015	51,293,780	50,831,644	99.10%

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>
2017	\$	7,854	478,594	486,448	0.91%
2016		17,552	484,097	501,649	0.95%
2015		15,585	443,839	459,424	0.90%

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:

2017	\$	0
2016		0
2015		0

Comparative Schedule of Fund Balances

	<u>Year</u>		<u>Balance,</u> <u>Dec.31</u>	Utilized in budget of succeeding <u>year</u>
Current Fund	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
	2013		1,307,344	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		
Hedy Grant	Council President		
Thea Sirocchi-Hurley	Councilwoman		
Randy Duffie	Councilwoman		
Ira Grotzky	Councilman		
Kelly Langschultz	Councilwoman		
Jose Alonso	Councilman		
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 Chief		
Marc D. Ramundo, Esq.	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		
Nancy L. Lee	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)

BOROUGH OF NEW MILFORD

Schedule of Expenditure of Federal Financial Assistance

Year ended December 31, 2017

Grantor	Program	CFDA Number	Grant Period	Grant Award	Receipts	Expenditures	Cancelled	MEMO Cumulative Total Expenditures
General Capital Fund: Department of Housing and Urban Development (through the County of Bergen)	Community Development Block Grant - Feller Drive Road Resurfacing	71/17-630/18	7/1/17-6/30/18	86,886 \$				
Department of Homeland Security	Ord. 2017-15: Assistance to Firefighters Grant	97.044	1/12/17-6/1/18	194,858	194,858	194,858		194,858
Total General Capital Fund				194,858	194,858	194,858		194,858
Current Fund: U.S. Department of Health and Human Services Title III		93.044	2017 2016	20,680 20,680	20,680 2,529	20,680 1,226		20,680 20,664
Federal Emergency Management Agency - Department of Homeland Security	Hazard Mitigation Grant - Administrative Costs Public Assistance Grants - Severe Storms, Inland & Coastal Flooding - DR1694	97.039 97.036	2014 4/14/07-4/20/07	38,333 202,515			(14,044)	24,289 202,515
	Public Assistance Grants - Severe Winter Storm & Snow Storm - DR4264	97.036	1/22/2016	54,100	54,100	54,100		54,100
Department of Housing and Urban Development - Hurricane Sandy Community Development Block Grant - Disaster Recovery Grants		14.269		19,437	19,437	19,437		19,437
Department of Justice	Bulletproof Vest Partnership Program	16.607	2017 2017 2016 2015	4,095 111 2,497 799	4,095 111	1,021 799		2,402
Department of Transportation - National Highway Safety Administration - Alcohol Impaired Driving Countermeasures	Click it or Ticket	20.616	2016 2016 2014	4,000 676 4,000	4,000 676 246	4,000 676 246		4,000 676 4,000
Department of Environmental Protection	Distracted Driving Drive Sober or Get Pulled Over Labor Day Crackdown Holiday Crackdown	20.616 20.616 20.616	2017 2017 2014	4,514 5,500 5,500	4,514 4,607 4,607	4,514 4,607 4,607		4,514 4,607 4,607
Total Current Fund	Stormwater Regulation Grant	66.605	2004	9,022		4,958		9,008
Total Federal Assistance				312,588	318,779	318,779	(14,044)	370,892
				\$ 507,446	\$ 513,637	\$ 513,637	(14,044)	\$ 665,750

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.

BOROUGH OF NEW MILFORD

Schedule of Expenditure of State Awards and Other Financial Assistance

Year ended December 31, 2017

State Funding Department	State Program	Grant Number	Grant Year	Allocation or Grant Award Amount	Revenue Realized/ Cash Received	Expended	MEMO Cumulative Total Expenditures
<u>Current Fund:</u> Department of Law and Public Safety	Drunk Driving Enforcement Fund	1110-443-031020-22	2014	1,936 \$		1,190	169
						1,190	169
	Body Armor Replacement	1020-718-066-1020-001	2017	3,392	3,392	3,637	3,637
			2016	4,026	4,026	3,643	3,251
			2015	6,894	7,418	7,280	6,888
	Alcohol Education and Rehabilitation	4250-760-05000-63-260	2017	450	451		
			2015	707			
			2012	648			
			Prior	266	451		
Department of Environmental Protection Solid Waste Administration	Recycling Tonnage Grant	4830-752-050550-30	2017	23,690	23,690		
			2016	3,910	3,910		
			2016	22,557	18,646	11,410	11,410
			2015	17,071		6,266	10,805
	Clean Communities Program	4900-765-178900	2017	29,986	29,986	8,589	8,589
			2016	35,296	76,232	30,259	35,296
Passed through - County of Bergen	Municipal Alliance to Prevent Alcoholism/Drug Abuse		2017	11,677	7,254	7,254	7,254
			2015	11,677	7,254	7,254	13,974
Total State Financial Assistance - Current Fund				91,355	72,248	87,131	
<u>General Capital Fund:</u> Department of Transportation	Highway Planning and Construction - Various Road Improvements - Ord. 2017-10 Imps. Of Boulevard (Sec. 6) and Monmouth Avenue (Sec. 3) - Ord. 2013-07 Drainage Improvements - Chestnut/Cherry Sts. - Ord. 2014-27		2016	165,627			
			2015	149,000	281,000	281,000	111,750
			2014	281,000	281,000	281,000	281,000
				281,000	281,000	392,750	

BOROUGH OF NEW MILFORD

Schedule of Expenditure of State Awards and Other Financial Assistance

Year ended December 31, 2017

State Funding Department	State Program	Grant Number	Grant Year	Allocation or Grant Award Amount	Revenue Realized/ Cash Received	Expended	MEMO Cumulative Total Expenditures
<u>Current Fund:</u>							
Department of Environmental Protection	Green Acres Program	Kennedy Field Imps. - Ord. 2017-17	2017	647,500			
Total State Financial Assistance - General Capital Fund					281,000	281,000	392,750
<u>Other Financial Assistance</u>							
General Capital Fund:	Open Space Trust Fund	Berkley Field Imps. - Ord. 2016-30/2017-18	2016	62,254			
Total Other Financial Assistance							
Total State and Other Financial Assistance					372,355	353,248	479,881

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 N.J. OMB Circular 15-08.

BOROUGH OF NEW MILFORD

Schedule of Cash - Collector-Treasurer

Current Fund

Year ended December 31, 2017

		<u>Current Fund</u>
Balance - December 31, 2016		\$ 5,973,299
Increased by Receipts:		
Taxes Receivable	\$ 53,105,475	
Revenue Accounts Receivable	2,785,410	
Non-Budget Revenue	650,305	
Due from State of New Jersey - Senior		
Citizens' and Veterans' Receivable	97,033	
Accounts Receivable - Outside Police Duty	246,925	
Tax Overpayments	68,890	
Prepaid Taxes	2,347,983	
Grants Receivable	86,138	
Fees Payable	24,688	
Petty Cash Returned	1,450	
Interfunds	6,705	
Unappropriated Grant Reserves	<u>36,406</u>	
		<u>59,457,408</u>
		65,430,707
Decreased by Disbursements:		
Petty Cash	1,450	
2017 Budget Appropriations	18,505,674	
2016 Appropriation Reserves	794,130	
Encumbrances Payable	21,064	
Local District School Tax	32,407,382	
County Taxes	4,619,152	
Accounts Receivable - Outside Police Duty	194,188	
Reserve for Tax Appeals	8,451	
Refund of Tax Overpayments	62,036	
Fees Payable	27,006	
Interfunds	79,162	
Appropriated Grant Reserves	104,056	
Refund of Prior Year Taxes and Revenues	<u>6,283</u>	
		<u>56,830,034</u>
Balance - December 31, 2017		\$ <u>8,600,673</u>

BOROUGH OF NEW MILFORD

Schedule of Change Funds

Current Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$	<u>450</u>
Balance - December 31, 2017	\$	<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, 2017

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, 2017

Balance - December 31, 2016		\$	40,611
Increased by:			
Senior Citizens', Veterans and Disabled Person			
Tax Deductions:			
Per Tax Billings	\$	96,750	
Allowed by Tax Collector		<u>2,250</u>	
			<u>99,000</u>
			139,611
Decreased by:			
Cash Received	\$	97,033	
Deductions Disallowed by Tax Collector		<u>1,118</u>	
			<u>98,151</u>
Balance - December 31, 2017		\$	<u><u>41,460</u></u>

BOROUGH OF NEW MILFORD

Schedule of Taxes Receivable and Analysis
of 2017 Property Tax Levy

Current Fund

Year ended December 31, 2017

Year	Balance, Dec.31, 2016	2017 Levy	Added Taxes	Collected 2016	2017	Senior Citizens' and Veterans' Deductions Allowed	Remitted or cancelled	Transferred to Tax Title Liens	Balance, Dec.31, 2017
2015	\$ 5,829								5,829
2016	478,268				467,522				10,746
	484,097				467,522				16,575
2017		53,469,798	52,398	281,791	52,637,953	97,882	41,403	1,148	462,019
		53,469,798	52,398	281,791	53,105,475	97,882	41,403	1,148	478,594

Tax yield:

General purpose tax	\$ 53,469,798
Added taxes (R.S. 54:4-63.1 et seq.)	52,398
	<u>\$ 53,522,196</u>

Tax levy:

Local district school tax (abstract)	\$ 32,407,382
County tax (abstract)	4,608,087
County tax for added taxes	4,511
Local tax for municipal purposes (abstract)	16,361,000
Local open space tax	78,967
Local open space added tax	78
Additional tax levy	62,171
	<u>\$ 53,522,196</u>

BOROUGH OF NEW MILFORD

Schedule of Tax Title Liens

Current Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$	17,552
Increased by:		
Transfer from Taxes Receivable		<u>1,148</u>
		18,700
Decreased by:		
Redeemed - Due from Other Trust Fund		<u>10,846</u>
Balance - December 31, 2017	\$	<u><u>7,854</u></u>

BOROUGH OF NEW MILFORD

Schedule of Revenue Accounts Receivable

Current Fund

Year ended December 31, 2017

	Balance, Dec.31, <u>2016</u>	<u>Accrued</u>	<u>Collected</u>	Balance, Dec.31, <u>2017</u>
Clerk:				
Licenses:				
Alcoholic Beverages	\$	16,880	16,880	
Other		39,753	39,753	
Construction Code Official				
Fees and Permits		387,476	387,476	
Fees and Permits - Other		3,150	3,150	
Municipal Court				
Fines and Costs	15,749	203,661	206,664	12,746
Interest and Costs on Taxes		105,818	105,818	
Interest on Investments and Deposits		5,793	5,793	
Fire Safety Act Fees		9,252	9,252	
Recreation Fees		66,625	66,625	
Energy Receipts Tax		1,615,078	1,615,078	
Life Hazard Use Fees		10,498	10,498	
Recycling Revenue		26,665	26,665	
Cell Tower Rent - Gaelic Communications		65,335	65,335	
Cable TV Franchise Fee		231,166	231,166	
	<u>\$ 15,749</u>	<u>2,787,150</u>	<u>2,790,153</u>	<u>12,746</u>
			3,016	
			1,727	
			<u>2,785,410</u>	
			<u>\$ 2,790,153</u>	

BOROUGH OF NEW MILFORD

Schedule of Accounts Receivable - Outside Police Duty

Current Fund

Year Ended December 31, 2017

Balance - December 31, 2016		\$	97,191
Increased by:			
Overtime Paid for Outside Duty			<u>194,188</u>
			291,379
Decreased by:			
Cash Receipts from Other Trust Fund	\$	246,925	
Due from Other Trust Fund		<u>33,191</u>	
			<u>280,116</u>
Balance - December 31, 2017		\$	<u><u>11,263</u></u>

BOROUGH OF NEW MILFORD

Schedule of Interfunds

Current Fund

Year ended December 31, 2017

	Due from/(to) Balance <u>Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	Due from/(to) Balance <u>Dec. 31, 2017</u>
Animal License Trust	\$ 6,618	3,587	6,618	3,587
Other Trust Fund		117,501		117,501
Open Space Trust Fund	(195)	79,162	79,045	(78)
General Capital Fund	87	1,164	87	1,164
	<u>\$ 6,510</u>	<u>201,414</u>	<u>85,750</u>	<u>122,174</u>

Municipal Open Space Tax Collected			79,045	
<u>Interfunds Advanced -</u>				
Interest on Investments		1,762		
Outside Police Duty		33,191		
Municipal Lien Redemption		13,862		
Unallocated balances in Payroll Accounts		69,850		
Cash Disbursements		79,162		
Interfunds Returned - Cash Receipts			6,705	
Animal License Trust Fund - Statutory Excess		3,587		
		<u>\$ 201,414</u>	<u>85,750</u>	

BOROUGH OF NEW MILFORD

Schedule of Deferred Charges

Current Fund

Year Ended December 31, 2017

	Balance, Dec. 31, <u>2016</u>	Decreased by: Budget <u>Appropriation</u>
Current Fund:		
Emergency Authorization	\$ <u>50,000</u>	<u>50,000</u>
	\$ <u><u>50,000</u></u>	<u><u>50,000</u></u>

BOROUGH OF NEW MILFORD

Schedule of Appropriation Reserves

Current Fund

Year ended December 31, 2017

	Balance, Dec.31, <u>2016</u>	Balance After Transfer or Modi- fication	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and wages within "CAPS":				
General Administration	\$ 1,350	1,350		1,350
Mayor and Council	477	477		477
Municipal Clerk	11	361	347	14
Collection of Taxes	1,188	1,188		1,188
Assessment of Taxes	49	549	541	8
Planning Board	6,028	6,028		6,028
Zoning Board of Adjustment	653	653		653
Police	270,045	270,045	3,405	266,640
Fire Department	1,788	1,788		1,788
Fire Official	609	609	175	434
Road Repairs and Maintenance	79,210	79,210	55,485	23,725
Recycling	1,698	1,698		1,698
Public Buildings and Grounds	3,740	3,740		3,740
Board of Health	20	20		20
Environmental Committee	210	210	140	70
Recreation	224	224		224
Senior Citizen Program	4,048	4,048	2,069	1,979
Construction Code Official	10,976	10,976		10,976
Rent Leveling Board	315	315	75	240
Municipal Court	2	452	435	17
Public Defender	1,000	1,000		1,000
Salary and Wage Adjustment	10,625	4,325		4,325
Library		4	4	
Police Department				
Other expenses within "CAPS":				
Mayor Council	239	239		239
Municipal Clerk	6,748	15,464	12,987	2,477
Financial Administration	3,719	32,780	29,061	3,719
Audit Services	2,600	2,600		2,600
Collection of Taxes	4,271	5,633	828	4,805
Assessment of Taxes	11,942	11,954	1,475	10,479
Legal Services and Costs	60,307	67,204	26,102	41,102
Engineering Services ans Costs	5,962	6,521	5,801	720
Planning Board	8,228	9,723	284	9,439
Zoning Board of Adjustments	6,786	7,706		7,706
Liability	12,724	12,724	661	12,063
Liability - Bergen Joint Insurance Fund	13,252	89,352	76,100	13,252
Worker's Compensation Insurance	16,648	98,512	81,865	16,647
Employee Group Insurance	235,600	230,639	38	230,601

BOROUGH OF NEW MILFORD

Schedule of Appropriation Reserves

Current Fund

Year ended December 31, 2017

	Balance, Dec.31, <u>2016</u>	Balance After Transfer or Modi- fication	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Health Benefit Waiver	3	3		3
Police	50,046	70,596	19,443	51,153
Police Auxiliary	783	6,014	5,231	783
Fire	7,018	16,548	10,776	5,772
First Aid Organization	50	891	851	40
Fire Official	128	660	532	128
Fire - LOSAP		75,000	54,327	20,673
Emergency Management Services	1,870	8,165	6,294	1,871
Road Repairs and Maintenance	52,139	85,628	80,004	5,624
Garbage and Trash Removal	106,256	178,927	114,988	63,939
Recycling	12,462	35,077	11,191	23,886
Public Buildings and Grounds	1,520	9,375	8,804	571
Vehicle Maintenance	20,623	56,353	26,596	29,757
Board of Health	7,509	8,716	1,209	7,507
Environmental Committee	975	975		975
Animal Control Services	3,500	4,190	1,710	2,480
Recreation Services and Programs	883	36,889	36,126	763
Historical Commission	1,000	1,000		1,000
Shade Tree Committee	1,075	1,075		1,075
Senior Citizens' Program	3,260	5,413	1,768	3,645
Beautification Committee	113	313		313
Construction Code Official	1,163	2,022	859	1,163
Rent Leveling Board	3,300	3,300		3,300
Library		14,756	14,756	
Street Lighting	27,619	41,250	30,827	10,423
Electricity	35,498	47,179	25,063	22,116
Telephone	3,035	4,758	3,124	1,634
Water	27,936	45,954	23,503	22,451
Gas and Oil	32,414	39,572	17,691	21,881
Sewer Outside CAP		1		1
Celebration of Events	3,391	3,391		3,391
Municipal Court	2,838	4,783	579	4,204

BOROUGH OF NEW MILFORD

Schedule of Appropriation Reserves

Current Fund

Year ended December 31, 2017

	Balance, Dec.31, <u>2016</u>	Balance After Transfer or Modi- fication <u> </u>	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Statutory Expenditures:				
Social Security System (O.A.S.I.)	7,522	7,522		7,522
Public Employees' Retirement System	22	22		22
Police and Firemen's Retirement System of NJ	<u>51</u>	<u>51</u>		<u>51</u>
Total Appropriation Reserves	\$ <u>1,199,294</u>	<u>1,796,690</u>	<u>794,130</u>	<u>1,002,560</u>
		Appropriation Reserves Encumbrances		
		1,219,090 <u>577,600</u>		
		\$ <u>1,796,690</u>		
			Cash \$ <u>794,130</u>	

BOROUGH OF NEW MILFORD

Schedule of Encumbrances Payable

Current Fund

Year ended December 31, 2017

Balance - December 31, 2016		\$	621,272
Increased by:			
Charges to 2017 Appropriations			<u>585,408</u>
			1,206,680
Decreased by:			
Transferred to:			
Appropriation Reserves	\$	577,600	
Cash Disbursements		21,064	
Cancelled to Operations		<u>22,608</u>	
			<u>621,272.00</u>
Balance - December 31, 2017		\$	<u><u>585,408</u></u>

BOROUGH OF NEW MILFORD

Schedule of Prepaid Taxes

Current Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$ 281,791
Increased by:	
Collection of 2018 Taxes	<u>2,347,983</u>
	2,629,774
Decreased by:	
Applied to 2017 Taxes Receivable	<u>281,791</u>
Balance - December 31, 2017	<u><u>\$ 2,347,983</u></u>

Schedule of Reserve for Tax Appeals

Current Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$ 20,000
Decreased by:	
Cash Disbursements	<u>8,451</u>
Balance - December 31, 2017	<u><u>\$ 11,549</u></u>

BOROUGH OF NEW MILFORD

Schedule of Tax Overpayments

Current Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$	903
Increased by:		
Cash receipts		<u>68,890</u>
		69,793
Decreased by:		
Cash Disbursements		<u>62,036</u>
Balance - December 31, 2017	\$	<u><u>7,757</u></u>

BOROUGH OF NEW MILFORD

Schedule of County Taxes Payable

Current Fund

Year ended December 31, 2017

Balance - December 31, 2016		\$	11,065
Increased by:			
2017 County Levy	\$	4,424,920	
2017 County Open Space Levy		183,167	
Due county for added and omitted taxes		<u>4,511</u>	
			<u>4,612,598.00</u>
			4,623,663
Decreased by:			
Cash Disbursements			<u>4,619,152</u>
Balance - December 31, 2017		\$	<u><u>4,511</u></u>

Schedule of Local District School Taxes Payable

Current Fund

Year ended December 31, 2017

Increased by:			
Levy - Calendar Year 2017	\$	<u>32,407,382</u>	
Decreased by:			
Payments	\$	<u><u>32,407,382</u></u>	

BOROUGH OF NEW MILFORD

Schedule of Miscellaneous Reserves and Payables

Current Fund

Year Ended December 31, 2017

<u>Reserve for</u>	Balance, Dec. 31, 2016	<u>Increased by</u>	<u>Decreased by</u>	Balance, Dec. 31, 2017
Marriage License Fees Payable	\$ 425	2,125	2,100	450
DCA Fees Payable	4,522	22,563	24,906	2,179
State Burial Fees	<u>1,453</u>	<u> </u>	<u> </u>	<u>1,453</u>
	<u>\$ 6,400</u>	<u>24,688</u>	<u>27,006</u>	<u>4,082</u>
		Cash Receipts		
		24,688		
		<u> </u>	<u>27,006</u>	
		\$ <u>24,688</u>	<u>27,006</u>	

BOROUGH OF NEW MILFORD

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

Current Fund

Year Ended December 31, 2017

Increased by:		
Appropriated grant balances	\$ 47,829	
Unappropriated grant balances	36,406	
Encumbrances payable	<u>11,319</u>	
		<u>95,554</u>
		95,554
Decreased by:		
Grant receivable balances		<u>23,592</u>
Balance - December 31, 2017	\$	<u><u>71,962</u></u>

BOROUGH OF NEW MILFORD
Schedule of Federal and State Grants Receivable

Federal and State Grant Fund

Year ended December 31, 2017

	Balance, Dec. 31, <u>2016</u>	Grant <u>Awards</u>	<u>Collected</u>	<u>Cancelled</u>	Balance, Dec. 31, <u>2017</u>
OEM HazardMitigation	\$ 14,044			14,044	
Recycling Tonnage Grant		18,646	18,646		
Drive Sober or Get Pulled Over		11,000	4,607		6,393
Distracted Driving		4,514	4,514		
Alcohol Education and Rehabilitation		451	451		
Bullet Proof Vest Partnership Fund		111	111		
Click it or Ticket	246	676	676		246
Clean Communities	2,177	29,986	29,986		2,177
Body Armor	1,924	4,026	4,026		1,924
Municipal Alliance	4,982	11,677	7,254		9,405
Title III - Senior Citizens	3,447	21,890	21,890		3,447
	<u>\$ 26,820</u>	<u>102,977</u>	<u>92,161</u>	<u>14,044</u>	<u>23,592</u>
		Cash	86,138		
		Unappropriated Reserves	<u>6,023</u>		
			<u>\$ 92,161</u>		

BOROUGH OF NEW MILFORD

Schedule of Appropriated Reserves for Federal and State Grants

Federal and State Grant Fund

Year ended December 31, 2017

<u>Program</u>	Balance, Dec.31, 2016	Transfer From 2017 <u>Budget</u>	<u>Expended</u>	<u>Canceled</u>	Balance, Dec.31, 2017
Drunk Driving Enforcement Fund	\$ 1,767		1,190		577
Clean Communities	30,259	29,986	38,848		21,397
EPA Bonus Grant - Local Match	165				165
Body Armor Fund	3,643	4,026	7,280		389
Bullet Proof Vest Partnership Program	1,915		1,820		95
Municipal Stormwater Management	4,972		4,958		14
Recycling Tonnage Grant	6,266	18,646	17,676		7,236
Alcohol Education Rehabilitation	1,621				1,621
Municipal Alliance	4,957	11,677	7,254		9,380
OEM Hazard Mitigation Program	14,044			14,044	
Bergen County Environmental Energy	400		400		
Click it or Ticket	4,246		4,246		
Title III - Senior Citizens	16		16		
Drive Sober or Get Pulled Over					
Labor Day Crackdown		5,500	4,607		893
Holiday Crackdown		5,500			5,500
Distracted Driving Enforcement Grant		4,514	4,514		
Alcohol Education Rehabilitation		451			451
Bullet Proof Vest Partnership Program		111			111
Title III - Senior Citizens		21,890	21,890		
Click it or Ticket		676	676		
	<u>\$ 74,271</u>	<u>102,977</u>	<u>115,375</u>	<u>14,044</u>	<u>47,829</u>
		Adopted Budget 57,026			
		Approved via N.J.S.A. 40a:4-87 45,951			
		<u>\$ 102,977</u>			
		Cash Disbursements 104,056			
		Encumbrances Payable <u>11,319</u>			
			<u>\$ 115,375</u>		

BOROUGH OF NEW MILFORD

Schedule of Unappropriated Reserves for Federal and State Grants

Federal and State Grant Fund

Year Ended December 31, 2017

<u>Grant</u>	Balance, Dec. 31, <u>2016</u>	2017 Budget <u>Appropriation</u>	Cash <u>Received</u>	Balance, Dec. 31, <u>2017</u>
Recycling Tonnage Grant	\$		27,600	27,600
Bulletproof Vest Partnership	111	111	4,095	4,095
Click it or Ticket	676	676		
Title III - Senior Citizens	1,210	1,210	1,319	1,319
Body Armor	4,026	4,026	3,392	3,392
	<u>\$ 6,023</u>	<u>6,023</u>	<u>36,406</u>	<u>36,406</u>

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BOROUGH OF NEW MILFORD

Schedule of Trust Cash - Treasurer

Trust Funds

Year ended December 31, 2017

	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, 2016	\$ 20,847	1,261,665	88,461	81,434	8	20,004	648	853,126
Increased By Receipts:								
Reserve for Various Deposits		15,636,367				195		54,327
Due to/from Current Fund		14,460	32,000	446,763				
Borough Contribution			13,735					
Employee Payroll Deductions						78,967		
Open Space Taxes						29		
Interest on Investments and Deposits	10		48	31				129,248
Gain on Investments								
Animal License Fees	6,891							
State Fees	1,254						63,628	
Recreation Receipts								
	8,155	15,650,827	45,783	446,794		79,191	63,628	183,575
	29,002	16,912,492	134,244	528,228	8	99,195	64,276	1,036,701
Decreased By Disbursements:								
Due to State of New Jersey -								
Unemployment Claims			28,726					
Dog License Fees	1,255							
Expenditures Under R.S. 4:19-15.11	1,824							
Due to Current Fund	6,618							
Due to General Capital						87		
Reserve for Various Deposits		14,343,949		398,085				
Medical Claims Expenditures								34,712
Benefit Payments								2,479
Account Service Charges								
Recreation Expenditures							46,203	
	9,697	14,343,949	28,726	398,085		87	46,203	37,191
Balance - December 31, 2017	\$ 19,305	2,568,543	105,518	130,143	8	99,108	18,073	999,510

BOROUGH OF NEW MILFORD
 Schedule of Reserve
 for Animal License Trust Fund Expenditures

Trust Funds

Year ended December 31, 2017

Balance - December 31, 2016	\$	14,225
Increased by:		
Dog License Fees Collected	\$	5,576
Cat License Fees Collected		563
Late Fees		749
Replacement Tags		3
Interest Earned		<u>10</u>
		<u>6,901</u>
		21,126
Decreased By:		
Cash Disbursements		1,824
Statutory Excess due to Current Fund		<u>3,587</u>
		<u>5,411</u>
Balance - December 31, 2017	\$	<u><u>15,715</u></u>

License fees collected

2015		7,578
2016		<u>8,137</u>
	\$	<u><u>15,715</u></u>

BOROUGH OF NEW MILFORD

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

Trust Funds

Year ended December 31, 2017

Balance - December 31, 2016	\$	4
Increased by:		
State License fees collected		<u>1,254</u>
		1,258
Decreased by:		
Paid to State of New Jersey		<u>1,255</u>
Balance - December 31, 2017	\$	<u><u>3</u></u>

BOROUGH OF NEW MILFORD

Schedule of Reserve for Open Space Trust Expenditures

Trust Funds

Year ended December 31, 2017

Balance - December 31, 2016		\$	20,112
Increased By:			
Open Space Taxes	\$	78,967	
Added/Omitted Taxes		78	
Interest		<u>29</u>	
			<u>79,074</u>
Balance - December 31, 2017		\$	<u><u>99,186</u></u>

BOROUGH OF NEW MILFORD

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

Trust Funds

Year ended December 31, 2017

Balance - December 31, 2016		\$	87,860
Increased By:			
Employee payroll deductions	\$	13,735	
Budget Appropriation		32,000	
Interest		<u>48</u>	
			<u>45,783</u>
			133,643
Decreased By:			
Unemployment Claims Incurred			<u>28,400</u>
Balance - December 31, 2017		\$	<u><u>105,243</u></u>

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

Year ended December 31, 2017

Balance - December 31, 2016	\$	601
Increased By:		
Claims		28,400
		29,001
Decreased By:		
Payments		28,726
Balance - December 31, 2017	\$	275

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

Year ended December 31, 2017

Balance - December 31, 2016	\$	81,434
Increased By:		
Cash Receipts	\$	446,763
Interest Earned		31
		446,794
		528,228
Decreased By:		
Medical Claim Expenditures		398,085
Balance - December 31, 2017	\$	130,143

BOROUGH OF NEW MILFORD

Schedule of Reserve for Various Deposits

Trust Funds

Year ended December 31, 2017

	Balance Dec. 31, 2016	Increased	Decreased	Balance Dec. 31, 2017
Escrow Deposits	\$ 155,143	72,938	99,884	128,197
Developer Escrow - Performance Bonds		659,748		659,748
Developer Escrow - Inspection Fees		77,164	2,494	74,670
Developer Escrow - Reserve for Interest		134		134
Tax Title Liens and Premiums	60,600	59,153	2,153	117,600
Landlord Emergency Repairs	22,500			22,500
Parking Offenses Adjudication Account	26,439	1,034		27,473
D.A.R.E. Trust	9,503	9,466	10,017	8,952
Shade Tree	175			175
Junior Police Academy	6,753	13,170	7,065	12,858
Historic Preservation	15			15
Uniform Fire Code	1,835	241		2,076
Police Outside Duty	87,630	288,854	369,192	7,292
Beautification Donation	452			452
Insurance Proceeds/Other Deposits	853			853
Senior Center Donation	4,294	915		5,209
Public Defender	18,774	5,650	4,000	20,424
Snow Removal	309,558	59,392		368,950
Accrued Payroll	116,032	13,931,373	13,940,762	106,643
Flexible Spending	2,839	719		3,558
Accumulated Absences	400,000	400,000		800,000
Affordable Housing	34,243	53,416	7,460	80,199
Police Auxiliary	4,027	3,000	3,963	3,064
	<u>\$ 1,261,665</u>	<u>15,636,367</u>	<u>14,446,990</u>	<u>2,451,042</u>
		Cash Receipts		
		15,636,367		
			Accounts Receivable - Police Outside Duty	
			Due to Current Fund	103,041
			Cash Disbursements	14,343,949
		<u>\$ 15,636,367</u>	<u>14,446,990</u>	

BOROUGH OF NEW MILFORD

Schedule of Interfunds

Trust Funds

Year ended December 31, 2017

	Balance <u>Dec. 31, 2016</u>	<u>Increased</u>	<u>Decreased</u>	Balance <u>Dec. 31, 2017</u>
Animal License Trust Fund				
Due from/(to) Current Fund	\$ (6,618)	3,587	6,618	(3,587)
Other Trust Fund:				
Due from/(to) Current Fund		117,501		(117,501)
Open Space Trust Fund:				
Due from/(to) Current Fund	195	195	78	78
Due from/(to) Capital Fund	<u>(87)</u>		<u>87</u>	
	<u>\$ (6,510)</u>	<u>121,283</u>	<u>6,783</u>	<u>(121,010)</u>
		Cash Receipts	14,655	
		Cash Disbursements	6,705	
		Statutory Excess	3,587	
		Added/Omitted Tax collections	78	
		Unallocated balance in Net Payroll and Payroll Agency	69,850	
		Outside Police Duty	<u>33,191</u>	
		<u>\$ 121,283</u>	<u>6,783</u>	

BOROUGH OF NEW MILFORD

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

Trust Funds

Year ended December 31, 2017

Balance - December 31, 2016 \$ 1

Balance - December 31, 2017 \$ 1

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, 2017

Balance - December 31, 2016 \$ 7

Balance - December 31, 2017 \$ 7

BOROUGH OF NEW MILFORD

Schedule of Reserve for Recreation Trust Fund Expenditures

Trust Funds

Year ended December 31, 2017

Balance - December 31, 2016	\$	648
Increased By:		
Receipts		<u>63,628</u>
		64,276
Decreased By:		
Recreation Expenditures		<u>46,203</u>
Balance - December 31, 2017	\$	<u><u>18,073</u></u>

BOROUGH OF NEW MILFORD

Statement of Service Award Contributions Receivable

Emergency Services Volunteer Length of Service Award Program

Year ended December 31, 2017

Balance - December 31, 2016	\$	54,327
Increased By:		
Borough Contributions		<u>57,550</u>
		111,877
Decreased By:		
Contribution Paid		<u>54,327</u>
Balance - December 31, 2017	\$	<u><u>57,550</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, 2017

Balance - December 31, 2016		\$	907,453
Increased by:			
Borough Contributions	\$	57,550	
Appreciation of Market Value of Investments		<u>129,248</u>	
			<u>186,798</u>
			1,094,251
Decreased by:			
Account Service Charges		2,479	
Benefit payments		<u>34,712</u>	
			<u>37,191</u>
Balance - December 31, 2017		\$	<u><u>1,057,060</u></u>

BOROUGH OF NEW MILFORD

Schedule of General Capital Cash -
Collector-Treasurer

General Capital Fund

Year ended December 31, 2017

Balance - December 31, 2016		\$	1,633,710
Increased by:			
Due from Open Space Trust Fund	\$	87	
Due to Current Fund		1,164	
Grants/Contribution Receivables:			
Community Development Block Grant		185,616	
Department of Transportation		281,000	
Department of Homeland Security		194,858	
Capital Improvement Fund		250,000	
Budget Appropriation - Bond Anticipation Notes		<u>3,996,900</u>	
			<u>4,909,625</u>
			6,543,335
Decreased by disbursements:			
Due to Current Fund		87	
Due to Current Fund		46	
Bond Anticipation Notes		130,435	
Contracts Payable		4,397,265	
Reserve for Preliminary Expenses		43,899	
Improvement Authorizations		<u>656,205</u>	
			<u>5,227,937</u>
Balance - December 31, 2017		\$	<u><u>1,315,398</u></u>

BOROUGH OF NEW MILFORD

Analysis of General Capital Cash

General Capital Fund

Year ended December 31, 2017

Department of Transportation Grant	\$ (202,877)
Bergen County Open Space Trust Grants Receivable	(78,166)
Green Acres Program Grant Receivable	(647,500)
Due from New Milford Board of Education	(70,000)
Due to Current Fund	1,164
Reserve for Grants Receivable	647,500
Reserve for Payment of Debt/Notes	349,892
Reserve for Legislative Grant	30,000
Reserve for Preliminary Expenses	85,301
Capital Improvement Fund	10,690
Contracts Payable	1,112,740
General Capital Fund Balance	16,783

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
08-08	Various Public Improvements	2,207
09-13	Various Public Improvements	(20,259)
10-06	Various Public Improvements	300
2012-07	Various Public Improvements	(54,229)
2013-06/2014-25	Various Public Improvements	64,726
2014-06	Various Public Improvements	107,214
2014-20	Various Recreation Improvements	2,774
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	108,979
2015-12	Imp. Of the Boulevard (Sec. 7)	4,722
2015-16	Rehabilitation of Basketball Courts at Prospect Park	19,124
2015-17	Improvement of Berkley Street	14,863
2015-22/2016-26	Acquisition of Garbage Trucks and Mason Dump Truck	11,828
2016-10	Various Public Improvements and Acquisitions	99,730
2016-11	Various Public Improvements	22,010
2016-20	Various Public Improvements	221

BOROUGH OF NEW MILFORD

Analysis of General Capital Cash

General Capital Fund

Year ended December 31, 2017

2016-30/2017-18	Berkley School Field Rehabilitation Project	229,128
2017-04	Various Public Improvements	(574,216)
2017-06	Various Police and Firefighter Equipment	47,615
2017-10	Various Road Improvements	158,252
2017-15	Acquisition of new Air Packs and upgrades to filing station - Fire Department	1,068
2017-17	Construction of a Multi-Use Field Complex at Kennedy Field	(79)
		<u>\$ 1,315,398</u>

BOROUGH OF NEW MILFORD
Schedule of Deferred Charges to Future
Taxation - Funded
General Capital Fund
Year ended December 31, 2017

Balance - December 31, 2016		\$ 10,820,307
Decreased by:		
Bonds paid by Budget Appropriation	\$ 670,000	
Loans paid by Budget Appropriation	<u>56,334</u>	
		<u>726,334</u>
Balance - December 31, 2017		<u><u>\$ 10,093,973</u></u>

BOROUGH OF NEW MILFORD
Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year ended December 31, 2017

Ordinance number	Improvement description	Balance, Dec. 31,		2017 Authorizations	2017 Reductions	Balance, Dec. 31, 2017	Analysis of Balance Dec. 31, 2017	
		2016	2017				Financed by Bond Anticipation Notes	Unexpended improvement authorizations
	Various Capital Improvements	218,000				218,000	218,000	
09-13	Various Public Improvements	20,259				20,259	20,259	
12-07	Various Public Improvements	59,901				59,901	54,229	5,672
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		
2014-28	Senior Center Rehabilitation (Phase III), Amend 2014-6	92,935			92,935			
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	574,216	175,784
2017-17	Construction of a Multi-Use Field Complex at Kennedy Field			2,730,000		2,730,000	79	2,729,921
		<u>\$ 7,074,995</u>	<u>3,480,000</u>		<u>92,935</u>	<u>10,462,060</u>	<u>866,783</u>	<u>2,911,377</u>

Unappropriated grant proceeds \$ 92,935
92,935

Improvement authorizations unfunded \$ 3,130,149
 Less unexpended proceeds of bond anticipation notes:
 2014-06 107,214
 2015-22/2016-26 11,828
 2016-10 99,730
218,772
 \$ 2,911,377

BOROUGH OF NEW MILFORD

**Schedule of Community Development
Block Grants Receivable**

General Capital Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$ <u>185,616</u>
Decreased by:	
Cash Receipts	\$ <u><u>185,616</u></u>

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

General Capital Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$ <u>78,166</u>
Balance - December 31, 2017	\$ <u><u>78,166</u></u>
<u>Analysis of Balance</u>	
Various Recreation Imps., Ord. 2014-20	\$ 8,080
Rehabilitation of Basketball Courts, Ord. 2014-20	7,832
Berkley School Field Rehab Project, Ord. 2015-16	<u>62,254</u>
	\$ <u><u>78,166</u></u>

BOROUGH OF NEW MILFORD

**Schedule of State of New Jersey
Department of Transportation Grants Receivable**

General Capital Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$ 318,250
Increased by:	
Grants Awarded	<u>165,627</u>
	483,877
Decreased by:	
Cash Receipts	<u>281,000</u>
Balance - December 31, 2017	<u><u>\$ 202,877</u></u>

Analysis of Balance

Imps. To the Boulevard (Hoffman), Ord. 2015-12	37,250
Boulevard Sec. 8, Graphic Blvd, Sec. 4, School Safety Imps., Ord. 2017-10	<u>165,627</u>
	<u><u>\$ 202,877</u></u>

**Schedule of Due from New Milford
Board of Education**

General Capital Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$ 40,000
Increased by:	
Anticipated contribution	<u>30,000</u>
Balance - December 31, 2017	<u><u>\$ 70,000</u></u>

BOROUGH OF NEW MILFORD

**Schedule of Grants Receivable -
Department of Homeland Security, Assistance to Firefighters - Ord. 2017-15**

General Capital Fund

Year ended December 31, 2017

Increased by:		
Grants Awarded	\$	<u>194,858</u>
Decreased by:		
Cash Receipts	\$	<u><u>194,858</u></u>

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

General Capital Fund

Year ended December 31, 2017

Increased by:		
Grant Awards	\$	<u>647,500</u>
Balance - December 31, 2017	\$	<u><u>647,500</u></u>

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BOROUGH OF NEW MILFORD

Schedule of Interfunds

Trust Funds

Year ended December 31, 2017

	<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	\$ (87)	1,164	87	(1,164)
Due from/(to) Open Space Trust Fund	<u>87</u>	<u>87</u>		
	<u>\$</u>	<u>1,251</u>	<u>87</u>	<u>(1,164)</u>
Due from General Capital Fund	87	1,251		(1,164)
Due to General Capital Fund	<u>(87)</u>		<u>87</u>	
	<u>\$</u>	<u>1,251</u>	<u>87</u>	<u>(1,164)</u>
Cash Receipts		1,251		
Cash Disbursements			<u>87</u>	
	<u>\$</u>	<u>1,251</u>	<u>87</u>	

BOROUGH OF NEW MILFORD

Schedule of General Serial Bonds

General Capital Fund

Year ended December 31, 2017

<u>Purpose</u>	<u>Date of issue</u>	<u>Amount of original issue</u>	<u>Maturities of bonds outstanding</u>		<u>Interest rate</u>	<u>Balance, Dec. 31, 2016</u>	<u>Decreased</u>	<u>Balance, Dec. 31, 2017</u>
			<u>Date</u>	<u>Amount</u>				
General Improvement Bonds of 2009	May 1, 2009	4,160,000	May 1, 2018	395,000	3.250	2,105,000	370,000	1,735,000
			May 1, 2019	420,000	3.250			
			May 1, 2020	445,000	3.500			
			May 1, 2021	475,000	3.500			
General Improvement Bonds of 2015	Dec. 1, 2015	8,610,000	Dec. 1, 2018	300,000	1.500	8,135,000	300,000	7,835,000
			Dec. 1, 2019	290,000	1.750			
			Dec. 1, 2020	290,000	2.000			
			Dec. 1, 2021	290,000	2.000			
			Dec. 1, 2022	580,000	2.000			
			Dec. 1, 2023	580,000	2.000			
			Dec. 1, 2024	575,000	2.000			
			Dec. 1, 2025	575,000	2.250			
			Dec. 1, 2026	555,000	2.375			
			Dec. 1, 2027	550,000	2.500			
			Dec. 1, 2028	550,000	3.000			
		Dec. 1, 2029	550,000	3.000				
		Dec. 1, 2030	550,000	3.000				
		Dec. 1, 2031	550,000	3.000				
		Dec. 1, 2032	550,000	3.125				
		Dec. 1, 2033	500,000	3.125				
						<u>\$ 10,240,000</u>	<u>670,000</u>	<u>9,570,000</u>

BOROUGH OF NEW MILFORD
Schedule of Environmental Infrastructure Trust Loans Payable

General Capital Fund

Year ended December 31, 2017

Purpose	Date of issue	Original issue	Maturities of Bonds Outstanding, December 31, 2017		Interest Rate	Balance, Dec. 31, 2016	Decreased	Balance, Dec. 31, 2017
			Date	Amount				
Wastewater Treatment Facilities	Dec. 2, 2010	575,000	Aug. 1, 2018	25,000	5.00%	366,000	25,000	341,000
			Aug. 1, 2019	25,000	5.00%			
			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%			
						\$ 366,000	25,000	341,000
						Budget Appropriation \$ 25,000		

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

Year ended December 31, 2017

Ordinance number	Improvement description	Date of issuance of original note	Date of issue	Maturity	Interest rate	Balance, Dec. 31, 2016	Increased	Decreased	Balance, Dec. 31, 2017
2013-07	Imp. Of Blvd (Sec. 6) and Monmouth Ave (Sec. 3)	November 4, 2015	May 12, 2017	Apr. 12, 2018	1.21%	37,500		37,500	
2014-27	Drainage Improvements at Cherry and Chestnut Streets	November 4, 2015	May 12, 2017	Apr. 12, 2018	1.21%	281,000	281,000	281,000	281,000
2014-28	Senior Center Rehabilitation (Phase III), Amend 2014-06	November 4, 2015	May 12, 2017	Apr. 12, 2018	1.21%	92,935		92,935	
2014-06	Various Public Improvements	May 13, 2016	May 12, 2017	Apr. 12, 2018	1.21%	2,000,000	2,000,000	2,000,000	2,000,000
2015-22/2016-26	Acq. of New Garbage Trucks and Mason Dump Truck	May 13, 2016	May 12, 2017	Apr. 12, 2018	1.21%	406,000	406,000	406,000	406,000
2014-06	Various Public Improvements	May 12, 2017	May 12, 2017	Apr. 12, 2018	1.21%		3,203,000		3,203,000
2015-22/2016-26	Acq. of New Garbage Trucks and Mason Dump Truck	May 12, 2017	May 12, 2017	Apr. 12, 2018	1.21%		55,900		55,900
2016-10	Various Public Improvements & Additional Machinery	May 12, 2017	May 12, 2017	Apr. 12, 2018	1.21%		738,000		738,000
						\$ 2,817,435	6,683,900	2,817,435	6,683,900

Cash	3,996,900
Renewed	2,687,000
Excess Proceeds utilized as paydown	2,687,000
Grant Proceeds Applied:	37,500
Ord. 2014-28	92,935
	\$ 6,683,900
	2,817,435

BOROUGH OF NEW MILFORD
Schedule of Improvement Authorizations
General Capital Fund

Year ended December 31, 2017

Ordinance Number	Improvement description	Date	Ordinance Amount	Balance, Dec. 31, 2016		2017 Authorizations	Paid or charged	Balance, Dec. 31, 2017	
				Funded	Unfunded			Funded	Unfunded
07-03	Various Public Improvements	Mar. 26, 2007	330,000	4,986			4,986		
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	
2010-06	Various Public Improvements	Feb. 22, 2010	597,000	27			(300)	300	
2011-09	Various Public Improvements	Apr. 25, 2011	764,000				27		
2012-07	Various Public Improvements	May 14, 2012	925,450	4,947			(725)		5,672
2013-06/2014-25	Various Public Improvements	May 29, 2013							
		Oct. 27, 2014	4,880,100	64,726				64,726	
2014-06	Various Public Improvements	Apr. 28, 2014	5,464,275						107,214
2014-20	Various Recreation Improvements	Aug. 25, 2014	116,000	2,774				2,774	
2014-23	Bypass of the Borough's Sanitary Sewer Line and Connection to the BCUA at Henley Ave.		60,000	17,863				17,863	
2015-06/2016-29	Various Public Improvements and Acquisition of SUV for Fire Official	Sept. 22, 2014 April 20, 2015							
		Nov. 28, 2016	1,073,000	120,752			11,773	108,979	
2015-12	Improvement of Blvd (Sec. 7 Hoffman to Reichelt Rd)	May 27, 2015	180,000	6,137			1,415	4,722	
2015-16	Rehabilitation of Basketball Courts at Prospect Park	Sept. 28, 2015	123,700	19,124				19,124	
2015-17	Improvement of Berkley Street	Sept. 28, 2015	155,000	15,310			447	14,863	
2015-22/2016-26	Acquisition of New Garbage Trucks and Mason Dump Truck	Dec. 14, 2015 Nov. 28, 2016	485,000				8,188		11,828
2016-10	Various Public Improvements and Acquisitions	April 26, 2016	775,000	26,432			31,757	22,010	99,730
2016-11	Various Public Improvements	April 25, 2016	64,907	557			4,422		
2016-12	Rehabilitation of the Senior Center (Phase III)	May 9, 2016	20,810	221			557		
2016-20	Various Public Acquisitions	Aug. 22, 2016	39,500						
2016-30/2017-18	Berkley School Field Rehab. Project	Dec. 19, 2016, Dec. 18, 2017	243,254	177,254					
2017-04	Various Public Improvements	Apr. 24, 2017	788,400			66,000		229,128	175,784
2017-06	Various Police and Firefighter Equipment	May 8, 2017	157,900			788,400		47,615	
2017-10	Various Road Improvements	Jul. 24, 2017	173,775			157,900		158,252	
			173,775			173,775			

BOROUGH OF NEW MILFORD

Schedule of Improvement Authorizations

General Capital Fund

Year ended December 31, 2017

Ordinance number	Improvement description	Date	Ordinance Amount	Balance, Dec. 31, 2016		2017 Authorizations	Paid or charged	Balance, Dec. 31, 2017	
				Funded	Unfunded			Funded	Unfunded
2017-15	Acquisition of new Air Packs and upgrades to filling station - Fire Department	Nov. 13, 2017	239,358			239,358	238,290	1,068	
2017-17	Construction of a Multi-Use Field Complex at Kennedy Field	Nov. 13, 2017	2,730,000			2,730,000	79	2,729,921	
				\$ 472,400	979,143	4,155,433	1,768,945	707,882	3,130,149

Deferred charges unfunded \$ 3,480,000
 Grants/Contributions Receivable 390,485
 Capital Improvement Fund 284,948

\$ 4,155,433

Cash Disbursements 656,205
 Contracts Payable 1,112,740
 \$ 1,768,945

BOROUGH OF NEW MILFORD
Schedule of Capital Improvement Fund
General Capital Fund
Year ended December 31, 2017

Balance - December 31, 2016		\$	174,838
Increased by:			
2017 Budget Appropriation			<u>250,000</u>
			424,838
Decreased by:			
Appropriated to Finance			
Improvement Authorizations	284,948		
Direct Charges for Preliminary Costs:			
Engineering - Construction of a Multi-Sport Facility	<u>129,200</u>		
			<u>414,148</u>
Balance - December 31, 2017		\$	<u><u>10,690</u></u>

Schedule of Reserve for Legislative Grant
General Capital Fund
Year ended December 31, 2017

Balance - December 31, 2016		\$	<u>30,000</u>
Balance - December 31, 2017		\$	<u><u>30,000</u></u>

BOROUGH OF NEW MILFORD

Schedule of Reserve for Grants Receivable

General Capital Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$ 374,116
Increased by:	
Grant Awards	<u>647,500</u>
	1,021,616
Decreased by:	
Reserve for payment of notes	<u>374,116</u>
Balance - December 31, 2017	<u><u>\$ 647,500</u></u>

Analysis of Balance

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

BOROUGH OF NEW MILFORD

Schedule of Reserve for Payment of Debt/Notes

General Capital Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$ 68,892
Increased by:	
Reallocated from Reserve for Grants Receivable	281,000
Balance - December 31, 2017	\$ 349,892

<u>Analysis of Balance</u>	
Payment of Debt	68,892
Ord. 2012-07, Notes	281,000
	\$ 349,892

BOROUGH OF NEW MILFORD

Schedule of Contracts Payable

General Capital Fund

Year ended December 31, 2017

Balance - December 31, 2016	\$ 4,397,265
Increased by:	
Contracts Awarded	<u>1,112,740</u>
	5,510,005
Decreased by:	
Cash Disbursements	<u>4,397,265</u>
Balance - December 31, 2017	<u><u>\$ 1,112,740</u></u>

Schedule of Reserve for Green Acres

General Capital Fund

Year ended December 31, 2017

Balance - December 31, 2016	<u>\$ 46</u>
Decreased by:	
Due to Current	<u><u>\$ 46</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, 2017

Increased by:	
2017 Capital Improvement Fund Appropriation	129,200
Decreased by:	
Cash Disbursements	<u>43,899</u>
Balance - December 31, 2017	<u>\$ 85,301</u>

BOROUGH OF NEW MILFORD

Schedule of Bond and Notes Authorized not Issued

General Capital Fund

Year ended December 31, 2017

Ordinance number	Improvement description	Balance, Dec.31, 2016	Increased	Decreased	Balance, Dec.31, 2017
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
2014-6	Various Public Improvements	3,203,000		3,203,000	
2015-22/ 2016-26	Acquisition of New Garbage Trucks & Mason Dump Truck	55,900		55,900	
2016-10	Various Public Improvements and Acquisitions	738,000		738,000	
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
		<u>\$ 4,295,060</u>	<u>3,480,000</u>	<u>3,996,900</u>	<u>3,778,160</u>

Current Year Improvement Authorizations 3,480,000
\$ 3,480,000

Bond Anticipation Notes Issued 3,996,900
\$ 3,996,900

BOROUGH OF NEW MILFORD

Schedule of Cash-Treasurer

Goodwill Assistance Trust Fund

Year Ended December 31, 2017

Balance - December 31, 2016		\$	16,437
Increased by Receipts:			
Donations	\$	3,713	
Interest Earned		<u>8</u>	
			<u>3,721</u>
			20,158
Decreased by Disbursements:			
Non-reimbursable expenditures			<u>1,450</u>
Balance - December 31, 2017		\$	<u><u>18,708</u></u>

BOROUGH OF NEW MILFORD
Schedule of Reserve for Goodwill Assistance
Goodwill Assistance Trust Fund
Year Ended December 31, 2017

Balance - December 31, 2016	\$	16,437
Increased by:		
Donations	\$	3,713
Interest Earned		<u>8</u>
		<u>3,721</u>
		20,158
Decreased by:		
Non-reimbursable Expenditures		<u>1,450</u>
Balance - December 31, 2017	\$	<u><u>18,708</u></u>

BOROUGH OF NEW MILFORD

PART II

LETTERS ON INTERNAL CONTROL AND COMPLIANCE

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2017

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Ferraioli, Wielkottz, 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, 2017 and the related notes to the financial statements, and have issued our report thereon dated June 22, 2018, 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.

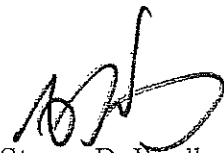
Compliance and Other Matters

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. Wielkocz, C.P.A.
Registered Municipal Accountant
No. CR00413



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

June 22, 2018

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:

Berkeley School Field Rehabilitation Project
Adult Mini-Bus
Boulevard (Section 8) and Graphic Boulevard (Section 4) School Safety Improvements

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.

The governing body on January 3, 2017 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

BOROUGH OF NEW MILFORD

GENERAL COMMENTS, (continued)

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 30, 2017 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>
2017	3
2016	4
2015	3

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, 2017, 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.

**BOROUGH OF NEW MILFORD
SUMMARY SCHEDULE OF PRIOR YEAR AUDITING FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

STATUS OF PRIOR YEAR FINDINGS

Finding 2016:001:

Our audit of the Recreation Commission revealed the following:

- A detailed cash receipts ledger was not maintained.
- Certain monies collected by the Recreation Commission for program fees were not deposited within 48 hours after receipt.
- Various Recreation Program fees collected were not deposited in an approved Borough bank account.

Status

Resolved

BOROUGH OF NEW MILFORD

COMMENTS

Municipal Court

- 1.* A review of the Court's December 2017 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 dismissal
 - b. Tickets eligible for order of D/L suspension
 - c. Tickets assigned over 180 days
 - d. Complaints eligible for FTA over 14 days
 - e. Complaints eligible for warrant.
- 2.* The Analysis of Open Bail per the ATS/ACS reports is not in agreement with the reconciled cash balance at December 31, 2017.

RECOMMENDATIONS

Municipal Court

- 1.* Policies be implemented to address the excessive amount of tickets and complaints that need follow-up.
- 2.* Steps be taken to compare and agree the open bail as listed in the ATS/ACS report to that of the reconciled cash balance as of December 31, 2017.

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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

June 22, 2018

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