

BOROUGH OF NEW MILFORD
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2016

BOROUGH OF NEW MILFORD

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BOROUGH OF NEW MILFORD

BERGEN COUNTY

PART I

REPORT OF AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the Borough Council
Borough of New Milford
New Milford, 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, as of December 31, 2016 and 2015, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of New Milford as of December 31, 2016 and 2015, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Award Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2016 and 2015. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 38 percent and 49 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2016 and 2015.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of New Milford as of December 31, 2016 and 2015, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the respective revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2016 in accordance with the financial accounting and reporting provisions and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

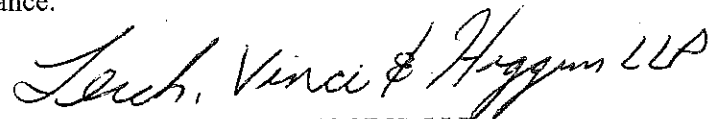
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of New Milford as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary data and letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of New Milford.

The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules listed in the table of contents, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

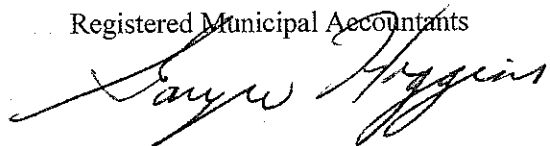
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2017 on our consideration of the Borough of New Milford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of New Milford's internal control over financial reporting and compliance.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
May 9, 2017

BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Cash	A-4	\$ 5,973,299	\$ 5,231,699
Cash - Change Funds	A-6	450	450
Due from State of New Jersey			
Veterans' and Senior Citizens' Deductions	A-8	40,611	21,591
Grants Receivable	A-16	<u>26,820</u>	<u>21,838</u>
		<u>6,041,180</u>	<u>5,275,578</u>
Receivables and Other Assets With Full Reserves			
Taxes Receivable	A-9	484,097	443,839
Tax Title Liens Receivable	A-10	17,552	15,585
Revenue Accounts Receivable	A-11	15,749	13,419
Accounts Receivable	A-14	97,191	144,119
Due from Other Trust Fund	B-6	-	274
Due from General Capital Fund	C-4	87	-
Due from Animal Control Trust Fund	B-8	<u>6,618</u>	<u>1,328</u>
		<u>621,294</u>	<u>618,564</u>
Deferred Charges			
Emergency Authorizations	A-12	<u>50,000</u>	<u>17,500</u>
 Total Assets		 <u>\$ 6,712,474</u>	 <u>\$ 5,911,642</u>

BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-15	\$ 1,219,055	\$ 1,385,263
Encumbrances Payable	A-18	621,272	330,012
Due to General Capital Fund	C-4	-	11,178
Due to Open Space Trust Fund	A-21	195	272
Prepaid Taxes	A-13	281,791	206,792
Tax Overpayments	A-19	903	1,209
Reserve for Grants and Aid - Unappropriated	A-23	6,023	6,894
Reserve for Grants and Aid - Appropriated	A-24	74,271	72,159
County Taxes Payable	A-22	11,065	14,682
Reserve for Tax Appeals	A-25	20,000	
Fees Payable	A-17	6,400	3,439
		<u>2,240,975</u>	<u>2,031,900</u>
Reserve for Receivables	A	621,294	618,564
Fund Balance	A-1	<u>3,850,205</u>	<u>3,261,178</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 6,712,474</u>	<u>\$ 5,911,642</u>

BOROUGH OF NEW MILFORD
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
REVENUES AND OTHER CREDITS TO INCOME			
Fund Balance Utilized	A-2	\$ 1,356,000	\$ 717,000
Miscellaneous Revenue Anticipated	A-2	2,653,199	2,569,674
Receipts from Delinquent Taxes	A-2	437,321	409,622
Receipts from Current Taxes	A-2	52,059,708	50,831,644
Non-Budget Revenue	A-2	526,146	447,170
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	1,080,687	1,086,181
Interfunds and Other Accounts Receivable Reserves Returned	A	144,393	43,671
		<u>58,257,454</u>	<u>56,104,962</u>
Total Revenues and Other Credits to Income			
EXPENDITURES AND OTHER DEBITS			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	8,310,924	7,663,262
Other Expenses	A-3	8,735,201	8,524,516
Capital Improvements	A-3	250,000	185,900
Debt Service	A-3	1,059,613	1,144,826
Deferred Charges and Statutory Expenditures	A-3	1,781,990	1,795,990
Local District School Tax	A-20	31,524,204	30,523,832
County Taxes	A-22	4,461,814	4,224,061
Due County for Added and Omitted Taxes	A-22	11,065	14,682
County Open Space Taxes	A-22	45,886	44,503
Municipal Open Space Taxes	A-21	78,967	78,521
Added Taxes - Municipal Open Space Taxes	A-21	195	272
Other Debits			
Refund of Prior Year Revenues	A-1	-	43,647
Interfunds and Other Receivables Reserves Created	A	102,568	-
		<u>56,362,427</u>	<u>54,244,012</u>
Total Expenditures and Other Debits			
Excess in Revenue		1,895,027	1,860,950

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF NEW MILFORD
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Excess in Revenue (Carried Forward)	A-1	\$ 1,895,027	\$ 1,860,950
Adjustments to Income before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	A-12	<u>50,000</u>	<u>17,500</u>
Statutory Excess to Fund Balance		1,945,027	1,878,450
Fund Balance, January 1	A	<u>3,261,178</u>	<u>2,099,728</u>
		5,206,205	3,978,178
Decreased by: Utilization as Anticipated Revenue	A-1	<u>1,356,000</u>	<u>717,000</u>
Fund Balance, December 31	A	<u>\$ 3,850,205</u>	<u>\$ 3,261,178</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF NEW MILFORD
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Reference	Anticipated Budget	Added by NJS 40A:4-87	Realized in 2016	Excess or (Deficit)
Fund Balance Anticipated	A-1	\$ 1,356,000	-	\$ 1,356,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-11	15,000		17,360	\$ 2,360
Other	A-11	40,000		39,225	(775)
Fees and Permits					
Other	A-2	2,700		2,738	38
Fines and Costs - Municipal Court	A-11	150,000		148,775	(1,225)
Interest and Costs on Taxes	A-11	92,000		96,497	4,497
Interest on Investments and Deposits	A-2	3,500		5,225	1,725
Fire Safety Act Fees	A-11	9,000		9,562	562
Recreation Fees	A-11	34,000		18,385	(15,615)
Energy Receipts Tax	A-11	1,615,078		1,615,078	-
Uniform Construction Code Fees	A-11	150,000		277,013	127,013
State and Federal Revenues Offset					
With Appropriations					
Recycling Tonnage Grant	A-16	17,071		17,071	
EPA Bonus Grant	A-16	5,000		5,000	
Municipal Alliance	A-16		\$ 11,677	11,677	
Reserve for Body Armor Replacement	A-23	6,894		6,894	
Click It or Ticket	A-16		4,000	4,000	
Title III - Senior Citizens	A-16	20,680		20,680	
Clean Communities Program	A-16		35,296	35,296	
Other Special Items:					
Cable TV Franchise Fees	A-11	233,739		233,739	-
Life Hazard Use Fees	A-11	8,800		10,078	1,278
Recycling Revenue	A-11	25,000		19,419	(5,581)
Cell Tower Rent -Gaelic Communications	A-11	66,115	-	59,487	(6,628)
	A-1	<u>2,494,577</u>	<u>50,973</u>	<u>2,653,199</u>	<u>107,649</u>
Receipts from Delinquent Taxes	A-9	<u>400,000</u>	-	<u>437,321</u>	<u>37,321</u>
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for					
Municipal Purposes	A-2	607,509		607,509	-
Minimum Library Tax	A-2	<u>15,736,432</u>	-	<u>15,887,795</u>	<u>151,363</u>
		<u>16,343,941</u>	-	<u>16,495,304</u>	<u>151,363</u>
Budget Totals		<u>\$ 20,594,518</u>	<u>\$ 50,973</u>	20,941,824	<u>\$ 296,333</u>
Non-Budget Revenue	A-2			<u>526,146</u>	
				<u>\$ 21,467,970</u>	

BOROUGH OF NEW MILFORD
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-9	\$ 52,079,708
Less: Transfer to Reserve for Tax Appeals	A-25	<u>20,000</u>
		52,059,708
Current Taxes Realized in Cash		
Allocated to School, County and Municipal Open Space Taxes	A-20,A-21,A-22	<u>36,122,131</u>
		15,937,577
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>557,727</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 16,495,304</u>
Fees and Permits - Other		
Search Companies	A-11	\$ 225
Gun Permits	A-11	601
Photostats	A-11	1,630
Fingerprints	A-11	241
Duplicate Tax Bills	A-11	<u>41</u>
	A-2	<u>\$ 2,738</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-11	\$ 4,132
Due from Animal Control Trust Fund	B-8	10
Due from General Capital Fund	C-4	<u>1,083</u>
	A-2	<u>\$ 5,225</u>
 <u>Reference</u>		
Analysis of Non-Budget Revenue		
Miscellaneous Receipts		\$ 51,901
NJ Bureau of Housing		12,678
Administrative Fees - Off Duty Police		400,000
Prior Year Voided Checks		2,678
FEMA Reimbursement		51,474
Statutory Excess-Animal Control Fund		5,290
Administrative Fee- Seniors and Veterans		<u>2,125</u>
	A-2	<u>\$ 526,146</u>
 <u>Reference</u>		
Cash Receipts	A-4	\$ 520,856
Amount Due from Animal Control Trust Fund	B-8	<u>5,290</u>
	A-2	<u>\$ 526,146</u>

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

	<u>2016 Appropriated</u>		<u>2016 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 44,000	\$ 45,625	\$ 44,275	\$ 1,350	
Mayor and Council					
Salaries and Wages	14,500	14,500	14,023	477	
Other Expenses	7,500	7,500	7,261	239	
Municipal Clerk					
Salaries and Wages	225,000	228,950	228,939	11	
Other Expenses	155,900	155,900	149,152	6,748	
Financial Administration					
Other Expenses	45,000	45,000	41,281	3,719	
Audit Services					
Other Expenses	40,600	40,600	38,000	2,600	
Collection of Taxes					
Salaries and Wages	188,000	188,000	186,812	1,188	
Other Expenses	26,700	26,700	22,429	4,271	
Assessment of Taxes					
Salaries and Wages	56,100	56,100	56,051	49	
Other Expenses	17,600	17,600	5,658	11,942	
Legal Services and Costs					
Legal Serv & Costs	150,000	150,000	89,693	60,307	
Engineering Services and Costs					
Other Expenses	19,300	19,300	13,338	5,962	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	6,200	6,200	172	6,028	
Other Expenses	15,800	15,800	7,572	8,228	
Zoning Board of Adjustment					
Salaries and Wages	1,260	1,260	607	653	
Other Expenses	11,625	11,625	4,839	6,786	
INSURANCE					
Liability	62,800	62,800	50,076	12,724	
Liability - Bergen Joint Insurance Fund	304,400	304,400	291,148	13,252	
Workers Compensation -BJIF	327,460	327,460	310,812	16,648	
Employee Group Insurance	2,164,650	2,164,650	1,929,050	235,600	
Health Benefit Waiver	13,000	14,120	14,117	3	
PUBLIC SAFETY					
Police					
Salaries and Wages	4,680,000	4,680,000	4,409,955	270,045	
Other Expenses	300,438	300,438	250,392	50,046	
Police Auxiliary	9,000	9,000	8,217	783	
Fire					
Salaries and Wages	3,000	5,300	3,512	1,788	
Other Expenses	108,650	108,650	101,632	7,018	
First Aid					
First Aid Organization	26,000	36,250	36,200	50	
Holy Name Hospital	10,200	-	-	-	

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>2016 Appropriated</u>		<u>2016 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY (Continued)					
Fire Official					
Salaries and Wages	\$ 16,500	\$ 16,500	\$ 15,891	\$ 609	
Other Expenses	2,300	2,300	2,172	128	
Emergency Management Services					
Salaries and Wages	4,750	4,750	4,750	-	
Other Expenses	13,640	13,640	11,770	1,870	
PUBLIC WORKS					
Road Repairs and Maintenance					
Salaries and Wages	1,686,900	1,686,900	1,607,690	79,210	
Other Expenses	223,480	273,480	221,341	52,139	
Garbage and Trash Removal					
Other Expenses	889,600	889,600	783,344	106,256	
Recycling					
Salaries and Wages	46,000	51,410	49,712	1,698	
Other Expenses	270,500	270,500	258,038	12,462	
Public Buildings and Grounds					
Salaries and Wages	94,000	94,000	90,260	3,740	
Other Expenses	82,000	82,000	80,480	1,520	
Vehicle Maintenance					
Other Expenses	165,000	173,000	152,377	20,623	
HEALTH & HUMAN SERVICES					
Board of Health					
Salaries and Wages	128,051	131,051	131,031	20	
Other Expenses	78,372	78,372	70,863	7,509	
Environmental Committee					
Salaries and Wages	770	770	560	210	
Other Expenses	975	975	-	975	
Animal Control Services					
Other Expenses	19,800	23,300	19,800	3,500	
PARK AND RECREATION					
Recreation Services and Programs					
Salaries and Wages	90,000	114,000	113,776	224	
Other Expenses	113,000	113,000	112,117	883	
Historical Commission					
Other Expenses	1,000	1,000	-	1,000	
Shade Tree Committee					
Other Expenses	7,500	7,500	6,425	1,075	
Senior Citizens' Program					
Salaries and Wages	155,000	155,000	150,952	4,048	
Other Expenses	30,000	30,000	26,740	3,260	
Beautification Committee					
Other Expenses	600	600	487	113	

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>2016 Appropriated</u>		<u>2016 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
STATE UNIFORM CONSTRUCTION CODE					
(52:27D-120 et seq.)					
Construction Code Official					
Salaries and Wages	\$ 137,371	\$ 137,371	\$ 126,395	\$ 10,976	
Other Expenses	11,250	11,250	10,087	1,163	
Rent Leveling Board					
Salaries and Wages	600	600	285	315	
Other Expenses	4,800	4,800	1,500	3,300	
UTILITY EXPENSES AND BULK PURCHASES					
Utilities					
Electricity	175,000	175,000	139,502	35,498	
Street Lighting	140,000	140,000	112,381	27,619	
Telephone	55,000	55,000	51,965	3,035	
Water	260,000	260,000	232,064	27,936	
Gas and Oil	125,000	94,740	62,326	32,414	
Accumulated Absences	400,000	400,000	400,000		
Salary and Wage Adjustment	75,000	10,625	-	10,625	
OTHER COMMON OPERATING FUNCTIONS					
(UNCLASSIFIED)					
Celebration of Events					
Other Expenses	6,000	6,000	2,609	3,391	
Municipal Court					
Salaries and Wages	138,567	138,637	138,635	2	
Other Expenses	12,000	12,000	9,162	2,838	
Public Defender (P.L. 1977, C. 256)					
Salaries and Wages	4,000	4,000	3,000	1,000	-
Total Operations Within "CAPS"	<u>14,699,009</u>	<u>14,707,399</u>	<u>13,515,700</u>	<u>1,191,699</u>	<u>-</u>
Detail:					
Salaries and Wages	8,270,569	8,310,924	7,866,976	443,948	-
Other Expenses	6,428,440	6,396,475	5,648,724	747,751	-
Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS"					
Statutory Charges					
Social Security System (O.A.S.I.)	360,000	360,000	352,478	7,522	
Unemployment	32,000	32,000	32,000	-	
Public Employees Retirement System	359,705	366,705	366,683	22	
Police and Fireman's Retirement System	994,385	998,785	998,734	51	
Defined Contribution Retirement Program	7,000	7,000	7,000	-	-
Total Deferred Charges & Statutory Expenditures -	<u>1,753,090</u>	<u>1,764,490</u>	<u>1,756,895</u>	<u>7,595</u>	<u>-</u>
Municipal Within "CAPS"					
Total General Appropriations for Municipal	<u>16,452,099</u>	<u>16,471,889</u>	<u>15,272,595</u>	<u>1,199,294</u>	<u>-</u>
Purposes Within "CAPS"					

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>2016 Appropriated</u>		<u>2016 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Bergen County Utilities Authority -					
Service Charges - Operating	\$ 983,983	\$ 983,983	\$ 983,982	\$ 1	
Service Charges-Debt Service	402,005	402,005	402,005		
Health Insurance	35,350	35,350	35,350		
EDUCATIONAL FUNCTIONS					
Maintenance of Free Public Library (Ch. 82, 541 P.L. 85)	736,770	736,770	722,010	14,760	
LOSAP	75,000	75,000	70,000	5,000	-
Total Other Operations Excluded from "CAPS"	<u>2,233,108</u>	<u>2,233,108</u>	<u>2,213,347</u>	<u>19,761</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Reserve for Body Armor Replacement Program	6,894	6,894	6,894		
Recycling Tonnage Grant	17,071	17,071	17,071		
Municipal Alliance	-	11,677	11,677		
EPA Bonus Grant	5,000	5,000	5,000		
EPA Bonus Grant - Local Match	5,000	5,000	5,000		
Click It Or Ticket	-	4,000	4,000		
Clean Communities Program Title III	-	35,296	35,296		
	20,680	20,680	20,680		
Total Public and Private Programs Offset by Revenues	<u>54,645</u>	<u>105,618</u>	<u>105,618</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,287,753</u>	<u>2,338,726</u>	<u>2,318,965</u>	<u>19,761</u>	<u>-</u>
Detail:					
Other Expenses	<u>2,287,753</u>	<u>2,338,726</u>	<u>2,318,965</u>	<u>19,761</u>	<u>-</u>
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	250,000	250,000	250,000	-	-
Total Capital Improvements	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE					
Payment of Bond Principal	710,000	710,000	710,000		
Interest on Notes	2,173	2,173	2,151		22
Interest on Bonds	284,206	284,206	284,194		12
New Jersey EIT Loan-Principal and Interest	33,060	63,270	63,268		2
Total Municipal Debt Service	<u>1,029,439</u>	<u>1,059,649</u>	<u>1,059,613</u>	<u>-</u>	<u>36</u>
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Deferred Charge - Emergency Authorization	17,500	17,500	17,500	-	-
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>17,500</u>	<u>17,500</u>	<u>17,500</u>	<u>-</u>	<u>-</u>

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>2016 Appropriated</u>		<u>2016 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations - Excluded from "CAPS"	\$ 3,584,692	\$ 3,665,875	\$ 3,646,078	\$ 19,761	\$ 36
Subtotal General Appropriations	20,036,791	20,137,764	18,918,673	1,219,055	36
Reserve for Uncollected Taxes	<u>557,727</u>	<u>557,727</u>	<u>557,727</u>	-	-
Total General Appropriations	<u>\$ 20,594,518</u>	<u>\$ 20,695,491</u>	<u>\$ 19,476,400</u>	<u>\$ 1,219,055</u>	<u>\$ 36</u>

Reference

A-2

A

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

	<u>Reference</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>
Budget as Adopted	A-2	\$ 20,594,518	
Added by N.J.S. 40A:4-87	A-2	50,973	
Added by Emergency Authorizations	A-12	<u>50,000</u>	
		<u>\$ 20,695,491</u>	
Cash Disbursed	A-4		\$ 18,217,955
Reserve for Uncollected Taxes	A-2		557,727
Transfer to Appropriated Grant Reserve	A-24		105,618
Emergency Authorizations	A-12		17,500
Encumbrances Payable	A-18		<u>577,600</u>
			<u>\$ 19,476,400</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Animal Control Trust Fund			
Cash	B-3	\$ 20,847	\$ 14,613
		<u>20,847</u>	<u>14,613</u>
Other Trust Fund			
Cash	B-3	1,261,665	678,832
		<u>1,261,665</u>	<u>678,832</u>
Unemployment Compensation Insurance Trust Fund			
Cash	B-3	88,461	64,398
Recreation Trust Fund			
Cash	B-3	648	26,208
Medical Claims Trust Fund			
Cash	B-3	81,434	84,234
Community Development Block Grant Trust Fund			
Cash	B-3	8	8
Open Space Trust Fund			
Cash	B-3	20,004	45,286
Due from Current Fund	B-7	195	272
		<u>20,199</u>	<u>45,558</u>
Length of Service Award Program Trust Fund (Unaudited)			
Investments	B	853,126	810,874
Contribution Receivable	B	54,327	50,875
		<u>907,453</u>	<u>861,749</u>
Total Assets		<u>\$ 2,380,715</u>	<u>\$ 1,775,600</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
LIABILITIES AND RESERVES			
Animal Control Trust Fund			
Reserve for Animal Control Fund Expenditures	B-4	\$ 14,225	\$ 13,285
Due from State of New Jersey	B-5	4	
Due to Current Fund	B-8	<u>6,618</u>	<u>1,328</u>
		<u>20,847</u>	<u>14,613</u>
Other Trust Fund			
Due to Current Fund	B-6		274
Miscellaneous Reserves	B-9	<u>1,261,665</u>	<u>678,558</u>
		<u>1,261,665</u>	<u>678,832</u>
Unemployment Compensation Insurance Trust Fund			
Reserve for Unemployment Compensation Insurance	B-14	87,860	64,223
Due to the State of New Jersey	B-15	<u>601</u>	<u>175</u>
		<u>88,461</u>	<u>64,398</u>
Recreation Trust Fund			
Reserve for Recreation Expenditures	B-10	<u>648</u>	<u>26,208</u>
Medical Claims Trust Fund			
Reserve for Medical Claims Expenditures	B-11	<u>81,434</u>	<u>84,234</u>
Community Development Block Grant Trust Fund			
Due to County of Bergen	B-13	7	7
Reserve for Community Development Expenditures	B-12	<u>1</u>	<u>1</u>
		<u>8</u>	<u>8</u>
Open Space Trust Fund			
Due to General Capital Fund	C-16	87	
Reserve for Open Space Expenditures	B-16	<u>20,112</u>	<u>45,558</u>
		<u>20,199</u>	<u>45,558</u>
Length of Service Award Program Trust Fund (Unaudited)			
Reserve for LOSAP	B	<u>907,453</u>	<u>861,749</u>
Total Liabilities and Reserves		<u>\$ 2,380,715</u>	<u>\$ 1,775,600</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF NEW MILFORD
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Reference	Anticipated (Memo)		2016 Realized	Excess or (Deficit)
		Budget	Budget After Modification		
Amount to be Raised by Taxation	B-16	\$ 78,967	\$ 78,967	\$ 79,162	\$ 195
		<u>\$ 78,967</u>	<u>\$ 78,967</u>	79,162	<u>\$ 195</u>
Non-Budget Revenue	B-16			36	
				<u>\$ 79,198</u>	
Analysis of Non-Budget Revenue					
Interest on Investments and Deposits				<u>\$ 36</u>	

EXHIBIT B-2

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

	Reference	Anticipated (Memo)		Paid or Charged	Excess or (Deficit)
		Budget	Budget After Modification		
Reserve for Future Use	B-16	\$ 78,967	\$ 78,967	\$ -	\$ 78,967
Capital Improvements:					
Down Payments on Improvements	B-16	-	-	104,644	(104,644)
		<u>\$ 78,967</u>	<u>\$ 78,967</u>	<u>\$ 104,644</u>	<u>\$ (25,677)</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Cash	C-2,C-3	\$ 1,633,710	\$ 1,447,599
Deferred Charges to Future Taxation			
Funded	C-5	10,820,307	11,690,642
Unfunded	C-6	7,074,995	6,375,707
Grants and Contributions Receivable	C-12	622,032	1,074,442
Due from Open Space Trust Fund	C-16	87	
Due from Current Fund	C-4	<u>-</u>	<u>11,178</u>
 Total Assets		 <u>\$ 20,151,131</u>	 <u>\$ 20,599,568</u>
 LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-10	\$ 10,240,000	\$ 10,950,000
Bond Anticipation Notes	C-18	2,817,435	440,490
EIT Loans Payable	C-15	580,307	740,642
Contracts Payable	C-8	4,397,265	882,848
Due to Current Fund	C-4	87	
Improvement Authorizations			
Funded	C-9	472,400	1,434,567
Unfunded	C-9	979,143	5,540,369
Capital Improvement Fund	C-7	174,838	22,330
Reserve for Legislative Grant	C-11	30,000	30,000
Reserve for Payment of Debt	C-13	68,892	97,947
Reserve for Grants Receivable	C-14	374,116	374,229
Reserve for Green Acres	C-17	46	46
Fund Balance	C-1	<u>16,602</u>	<u>86,100</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 20,151,131</u>	 <u>\$ 20,599,568</u>

There were bonds and notes authorized but not issued on December 31, 2016 and 2015 in the amount of \$4,295,060 and \$5,972,717 respectively (Exhibit C-19).

BOROUGH OF NEW MILFORD
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
Balance, January 1	C	\$ 86,100	\$ -
Increased by:			
Permanently Funded Improvement Authorizations Canceled	C-9	16,219	
Premium on Sale of Bonds	C-1	<u>-</u>	<u>86,100</u>
		102,319	86,100
Decreased by:			
Appropriated to Finance Improvement Authorizations	C-9	<u>85,717</u>	<u>-</u>
Balance, December 31	C	<u>\$ 16,602</u>	<u>\$ 86,100</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2016 AND 2015**

	<u>Reference</u>	<u>2016</u>	<u>2015</u>
ASSETS			
Cash	D-1	\$ <u>16,437</u>	\$ <u>13,551</u>
RESERVES			
Reserve for Public Assistance	D-2	\$ <u>16,437</u>	\$ <u>13,551</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
General Fixed Assets:		
Land	\$ 36,878,288	\$ 36,878,288
Buildings and Building Improvements	4,654,387	4,654,387
Machinery and Equipment	<u>5,512,820</u>	<u>4,989,083</u>
 Total General Fixed Assets	 <u>\$ 47,045,495</u>	 <u>\$ 46,521,758</u>
 Investment in General Fixed Assets	 <u>\$ 47,045,495</u>	 <u>\$ 46,521,758</u>

The Accompanying Notes are an Integral Part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Borough of New Milford (the "Borough") was incorporated in 1922 and operates under an elected Mayor and Council form of government. The Mayor is elected to a four-year term and the six council members are elected at-large, two each year for terms of three years. The Mayor is the Chief Executive Officer of the Borough and as such presides over all public meetings and makes appointments to various boards. The Borough Council exercises all legislative powers including final adoption of the municipal budget and bond ordinances and confirmation of the Mayor's appointments, and all executive authority which is not specifically provided to the Mayor, by state law. A Borough Administrator is appointed by the Borough Council and is responsible for the implementation of the policies of the Mayor and Council, for the administration of all Borough affairs and for the day to day operations of the Borough. The Borough Administrator is the Chief Administrative Officer for the Borough. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

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

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

B. Description of Regulatory Basis of Accounting

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

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The Borough has the following funds and account group:

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

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

Animal Control 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.

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

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

Recreation Trust Fund – This fund is used to account for the receipts and disbursements relating to recreation activities.

Medical Claims Trust Fund – This fund is used to amount for the receipts and disbursements for medical deductibles associated with the Borough; health, prescription and vision insurance plans.

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

Open Space Trust Fund - This fund is used to account for the receipts and disbursements for the Borough's open space trust.

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2015 balances to conform to the December 31, 2016 presentation.

Financial Statements – Regulatory Basis

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

D. Measurement Focus and Basis of Accounting

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

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

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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

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

Incurred But Not Reported (IBNR) Reserves and Claims Payable - The Borough has not created a reserve for any potential unreported self-insurance losses which have taken place but in which the Borough has not received notices or report of losses (i.e. IBNR). Additionally, the Borough has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). 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 potential claims are recorded as a long-term obligation in the government-wide financial statements.

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

General Fixed Assets are stated at cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

No depreciation has been provided for in the financial statements.

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgets and Budgetary Accounting (Continued)

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2016 and 2015 the Borough Council increased the original budget by \$100,973 and \$53,081, respectively. The 2016 and 2015 increases were attributable to additional allotted aid in the amounts of \$50,973 and \$35,581, respectively and an emergency appropriations in the amounts of \$50,000 and \$17,500, respectively. In addition, the governing body approved several budget transfers during 2016 and 2015.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

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

A. Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2016 and 2015, the book value of the Borough's deposits were \$9,096,963 and \$7,606,878 and bank and brokerage firm balances of the Borough's deposits amounted to \$9,356,741 and \$7,754,280, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2016</u>	<u>2015</u>
Insured	\$ 9,356,741	\$ 7,754,280

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2016 and 2015, none of the Borough’s bank balances were exposed to custodial credit risk.

B. Investments

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

As of December 31, 2016 and 2015, the Borough had the following investments:

	Fair Value (Unaudited)	
	2016	2015
<u>Investments:</u>		
Length of Service Award Program	<u>\$ 853,126</u>	<u>\$ 810,874</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Borough does not have a policy for custodial risk. As of December 31, 2016 and 2015, \$853,126 and \$810,874 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (Unaudited)	
	2016	2015
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	<u>\$ 853,126</u>	<u>\$ 810,874</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2016 and 2015, the Borough’s investment in Lincoln Financial Group was rated Baa2 by Moody’s Investor Services.

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

The fair value of the above-listed investment was based on quoted market prices.

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

NOTE 4 TAXES RECEIVABLE

Receivables at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
<u>Current</u>		
Property Taxes	\$ 484,097	\$ 443,839
Tax Title Liens	<u>17,552</u>	<u>15,585</u>
	<u>\$ 501,649</u>	<u>\$ 459,424</u>

In 2016 and 2015, the Borough collected \$437,321 and \$409,622 from delinquent taxes, which represented 95% and 97% respectively of the prior year adjusted delinquent taxes receivable balance.

**BOROUGH OF NEW MILFORD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 5 DUE TO/FROM OTHER FUNDS

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

	<u>2016</u>		<u>2015</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Current Fund	\$ 6,705	\$ 195	\$ 1,602	\$ 11,450
Trust Funds:				
Animal Control Trust		6,618		1,328
Other Trust				274
Open Space Trust	195	87	272	
General Capital Fund	<u>87</u>	<u>87</u>	<u>11,178</u>	<u>-</u>
 Total	 <u>\$ 6,987</u>	 <u>\$ 6,987</u>	 <u>\$ 13,052</u>	 <u>\$ 13,052</u>

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

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

NOTE 6 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance</u>
<u>2016</u>			
Current Fund			
Emergency Authorization	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>

	<u>Balance December 31,</u>	<u>Subsequent Year Budget Appropriation</u>	<u>Balance</u>
<u>2015</u>			
Current Fund			
Emergency Authorization	<u>\$ 17,500</u>	<u>\$ 17,500</u>	<u>\$ -</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 7 FUND BALANCES APPROPRIATED

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

	<u>2016</u>		<u>2015</u>	
	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>	<u>Fund Balance December 31,</u>	<u>Utilized in Subsequent Year's Budget</u>
Current Fund				
Cash Surplus	\$ 3,732,774	\$ 1,510,874	\$ 3,200,249	\$ 1,356,000
Non-Cash Surplus	117,431	-	60,929	-
	<u>\$ 3,850,205</u>	<u>\$ 1,510,874</u>	<u>\$ 3,261,178</u>	<u>\$ 1,356,000</u>

NOTE 8 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2016 and 2015.

	<u>Balance January 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2016</u>
	<u>2016</u>			
Land	\$ 36,878,288			\$ 36,878,288
Buildings and Building Improvements	4,654,387			4,654,387
Machinery and Equipment	4,989,083	\$ 552,531	\$ 28,794	5,512,820
	<u>\$ 46,521,758</u>	<u>\$ 552,531</u>	<u>\$ 28,794</u>	<u>\$ 47,045,495</u>
	<u>Balance January 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2015</u>
<u>2015</u>				
Land	\$ 36,878,288			\$ 36,878,288
Buildings and Building Improvements	4,646,000	\$ 8,387		4,654,387
Machinery and Equipment	4,857,802	131,281	-	4,989,083
	<u>\$ 46,382,090</u>	<u>\$ 139,668</u>	<u>\$ -</u>	<u>\$ 46,521,758</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2016</u>	<u>2015</u>
Issued		
General		
Bonds, Notes and Loans	\$ 13,637,742	\$ 12,131,132
Less Funds Temporarily Held to Pay Bonds and Notes	<u>106,392</u>	<u>135,447</u>
Net Debt Issued	13,531,350	11,995,685
Authorized But Not Issued		
General		
Bonds and Notes	<u>4,295,060</u>	<u>5,972,717</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 17,826,410</u>	<u>\$ 17,968,402</u>

**BOROUGH OF NEW MILFORD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .986% and 1.011% at December 31, 2016 and 2015, respectively.

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

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2015</u>			
General Debt	\$ 18,103,849	\$ 135,447	\$ 17,968,402
School Debt	<u>2,165,000</u>	<u>2,165,000</u>	<u>-</u>
Total	<u>\$ 20,268,849</u>	<u>\$ 2,300,447</u>	<u>\$ 17,968,402</u>

Statutory Borrowing Power

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

	<u>2016</u>	<u>2015</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 63,267,757	\$ 62,216,677
Net Debt	<u>17,826,410</u>	<u>17,968,402</u>
Remaining Borrowing Power	<u>\$ 45,441,347</u>	<u>\$ 44,248,275</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt

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

General Obligation Bonds

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

	<u>2016</u>	<u>2015</u>
\$4,160,000, 2009 General Improvement Bonds, due in annual installments of \$370,000 to \$475,000 through May 1, 2021, interest at 3.00%-3.50%	\$ 2,105,000	\$ 2,340,000
\$8,610,000, 2015 General Improvement Bonds, due in annual installments of \$290,000 to \$580,000 through December 1, 2033, interest at 1.50%-3.125%	<u>8,135,000</u>	<u>8,610,000</u>
	<u>\$ 10,240,000</u>	<u>\$ 10,950,000</u>

General Intergovernmental Loans Payable

The Borough has entered into a loan agreements with the New Jersey Environmental Infrastructure for the financing relating to the Borough's sanitary sewer pipe lining and replacement project. The Borough levies ad valorem taxes to pay debt service on general intergovernmental loans issued. General intergovernmental loans outstanding at December 31 are as follows:

	<u>2016</u>	<u>2015</u>
\$575,000, 2010 Trust Loan, due in annual installments of \$22,000 to \$33,000 through August 1, 2030, interest at 5.00%	\$ 366,000	\$ 495,000
\$391,871, 2010 Fund Loan, due in annual installments of \$10,445 to \$20,890 through August 1, 2023, no interest	<u>214,307</u>	<u>245,642</u>
	<u>\$ 580,307</u>	<u>\$ 740,642</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2016 is as follows:

Calendar Year	General		Loans		Total
	Principal	Interest	Principal	Interest	
2017	\$ 670,000	\$ 270,369	\$ 56,335	\$ 23,500	\$ 1,020,204
2018	695,000	253,900	56,335	22,250	1,027,485
2019	710,000	235,406	56,335	21,000	1,022,741
2020	735,000	214,994	53,335	19,750	1,023,079
2021	765,000	193,094	53,334	18,250	1,029,678
2022-2026	2,865,000	774,174	179,633	68,000	3,886,807
2027-2031	2,750,000	411,564	125,000	21,750	3,308,314
2032-2033	1,050,000	48,436	-	-	1,098,436
Total	<u>\$ 10,240,000</u>	<u>\$ 2,401,937</u>	<u>\$ 580,307</u>	<u>\$ 194,500</u>	<u>\$ 13,416,744</u>

Changes in Long-Term Municipal Debt

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

	Balance, January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u> (A)	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
General Capital Fund					
Bonds Payable	\$ 10,950,000		\$ 710,000	\$ 10,240,000	\$ 670,000
Intergovernmental Loans Payable	740,642	-	160,335	580,307	56,335
General Capital Fund Long-Term Liabilities	<u>\$ 11,690,642</u>	<u>\$ -</u>	<u>\$ 870,335</u>	<u>\$ 10,820,307</u>	<u>\$ 726,335</u>

(A) Intergovernmental loans payable reduction includes a \$104,000 savings credit.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, January 1, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
General Capital Fund					
Bonds Payable	\$ 3,130,000	\$ 8,610,000	\$ 790,000	\$ 10,950,000	\$ 710,000
Intergovernmental Loans Payable	<u>791,977</u>	<u>-</u>	<u>51,335</u>	<u>740,642</u>	<u>56,335</u>
General Capital Fund Long-Term Liabilities	<u>\$ 3,921,977</u>	<u>\$ 8,610,000</u>	<u>\$ 841,335</u>	<u>\$ 11,690,642</u>	<u>\$ 766,335</u>

B. Short-Term Debt

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

Bond Anticipation Notes

<u>Purpose</u>	<u>Rate</u> (%)	<u>Maturity</u> <u>Date</u>	Balance, January 1, <u>2016</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	Balance, December 31, <u>2016</u>
<u>2016</u>						
<u>General Capital Fund</u>						
Various Public Improvements	0.93%	5/13/2016	\$ 29,055		\$ 29,055	
Various Public Improvements	1.04%	5/12/2017		\$ 2,000,000		\$ 2,000,000
Imprvts to Blvd and Monmouth Ave	0.93%	5/13/2016	37,500		37,500	
Imprvts to Blvd and Monmouth Ave	1.04%	5/12/2017		37,500		37,500
Drainage Imprvts at Cherry and Chestnut Streets	0.93%	5/13/2016	281,000		281,000	
Drainage Imprvts at Cherry and Chestnut Streets	1.04%	5/12/2017		281,000		281,000
Senior Center Rehabilitation (Phase III)	0.93%	5/13/2016	92,935		92,935	
Senior Center Rehabilitation (Phase III)	1.04%	5/12/2017		92,935		92,935
Acquisition of New Garbage Trucks	1.04%	5/12/2017	-	406,000	-	406,000
Total Bond Anticipation Notes Payable			<u>\$ 440,490</u>	<u>\$ 2,817,435</u>	<u>\$ 440,490</u>	<u>\$ 2,817,435</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>Purpose</u>	<u>Rate</u> <u>(%)</u>	<u>Maturity</u> <u>Date</u>	Balance, January 1, <u>2015</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2015</u>
<u>2015</u>						
<u>General Capital Fund</u>						
Improvements to Boulevard, Sec. 5	0.43%	4/17/2015	\$ 11,149		\$ 11,149	
Improvements to Boulevard, Sec. 5	0.42%	12/1/2015		\$ 622	622	
Various Public Improvements	0.43%	4/17/2015	6,405,293		6,405,293	
Various Public Improvements	0.42%	12/1/2015		6,126,257	6,126,257	
Various Public Improvements	0.93%	5/13/2016		29,055		\$ 29,055
Sanitary Sewer Rehabilitation	0.43%	4/17/2015	23,619		23,619	
Sanitary Sewer Rehabilitation	0.42%	12/1/2015		55,634	55,634	
Various Public Improvements/Additional Machinery & Equipment	0.43%	4/17/2015	450,588		450,588	
Various Public Improvements/Additional Machinery & Equipment	0.42%	12/1/2015		440,262	440,262	
Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	0.43%	4/17/2015	565,144		565,144	
Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	0.42%	12/1/2015		550,216	550,216	
Improvements to Center Street	0.43%	4/17/2015	42,826		42,826	
Improvements to Center Street	0.42%	12/1/2015		43,247	43,247	
River Road Streetscape Improvement Project, Phase IV	0.43%	4/17/2015	22,985		22,985	
River Road Streetscape Improvement Project, Phase IV	0.42%	12/1/2015		12,452	12,452	
Imprvts to Blvd and Monmouth Ave	0.93%	5/13/2016		37,500		\$ 37,500
Imprvts to Blvd and Monmouth Ave	0.42%	12/1/2015		97,500	97,500	

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>2015</u> (Continued)	Rate	Maturity	Balance, January 1, <u>2015</u>	Renewed/ <u>Issued</u>	Retired/ <u>Redeemed</u>	Balance, December 31, <u>2015</u>
<u>Purpose</u>	(%)	<u>Date</u>				
Drainage Imprvts at Cherry and Chestnut Streets	0.93%	5/13/2016		\$ 281,000		\$ 281,000
Drainage Imprvts at Cherry and Chestnut Streets	0.42%	12/1/2015		395,000	\$ 395,000	
Senior Center Rehabilitation (Phase III)	0.93%	5/13/2016		92,935		92,935
Senior Center Rehabilitation (Phase III)	0.42%	12/1/2015		108,500	108,500	
Acquisition of a New Loader for DPW	0.42%	12/1/2015		142,800	142,800	
Bypass of Boro Sanitary Sewer Line at Henley	0.42%	12/1/2015		57,000	57,000	
				<u>-</u>	<u>57,000</u>	<u>-</u>
Total Bond Anticipation Notes Payable			\$ 7,521,604	\$ 8,469,980	\$ 15,551,094	\$ 440,490

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

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

NOTE 10 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2016</u>		
New Police Headquarters	\$3,499,069	2017
2016 Road Paving Program	351,527	2017
<u>2015</u>		
Road Improvement Program	\$311,990	2016
Recreation Field Improvements	86,200	2016
Renovations to Fire Station #1 & #2	97,581	2016

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11 OTHER LONG-TERM LIABILITIES

A. Compensated Absences

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$2,420,946 and \$2,587,144 at December 31, 2016 and 2015, respectively. These amounts which are considered material to the financial statements, are not reported either as an expenditure or liability.

As of December 31, 2016 and 2015, the Borough has reserved in the Other Trust Fund \$400,000 and \$0, respectively to fund compensated absences in accordance with NJSA 40A:4-39.

B. Deferred Pension Obligation

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$466,671 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 7.90% effective July 1, 2012 and 8.25% prior to July 1, 2012) at December 31, 2016 and 2015 is \$428,996 and \$466,334, respectively.

Changes in Other Long-Term Liabilities

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

The Borough's changes in other long-term liabilities for the years ended December 31, 2016 and 2015 were as follows:

	Balance January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2016</u>	Due Within <u>One Year</u>
<u>2016</u>					
Compensated Absences	\$ 2,587,144		\$ 166,198	\$ 2,420,946	
Deferred Pension Obligation	466,334	\$ 33,206	70,544	428,996	\$ 71,250
Net Pension Liability - PERS	9,004,820	4,057,033	380,389	12,681,464	
Net Pension Liability - PFRS	<u>19,234,775</u>	<u>2,528,861</u>	<u>890,896</u>	<u>20,872,740</u>	<u>-</u>
Total Other Long-Term Liabilities	\$ <u>31,293,073</u>	\$ <u>6,619,100</u>	\$ <u>1,508,027</u>	\$ <u>36,404,146</u>	\$ <u>71,250</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

B. Deferred Pension Obligation (Continued) (Delete or modify as necessary)

Changes in Other Long-Term Liabilities (Continued)

	Balance January 1, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2015</u>	Due Within <u>One Year</u>
<u>2015</u>					
Compensated Absences	\$ 2,739,529		\$ 152,385	\$ 2,587,144	
Deferred Pension Obligation	500,650	\$ 35,972	70,288	466,334	\$ 70,544
Net Pension Liability - PERS	7,182,057	2,167,637	344,874	9,004,820	
Net Pension Liability - PFRS	<u>14,379,191</u>	<u>5,794,256</u>	<u>938,672</u>	<u>19,234,775</u>	<u>-</u>
 Total Other Long-Term Liabilities	 <u>\$ 24,801,427</u>	 <u>\$ 7,997,865</u>	 <u>\$ 1,506,219</u>	 <u>\$ 31,293,073</u>	 <u>\$ 70,544</u>

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS

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

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

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

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

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds

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

The State also administers the Pensions Adjustment Fund (PAF). Prior to the adoption of pension reform legislation, P.L. 2011, C.78, it provided cost of living increases equal to 60 percent of the change in the average consumer price index, to eligible retirees in some State-sponsored pension systems which includes the CPFPPF. Cost-of-living increases provided under the State's pension adjustment program are currently suspended as a result of the reform legislation. This benefit is funded by the State as benefit allowances become payable.

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

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

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

Basis of Accounting

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

Investment Valuation

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

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, which was rolled forward to June 30, 2016, the aggregate funded ratio for all the State administered retirement systems, including local PERS and local PFRS is 45.7 percent with an unfunded actuarial accrued liability of \$50.3 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 40.14 percent and \$29.6 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 52.01 percent and \$20.7 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuations, the date of the most recent actuarial valuations, the projected unit credit was used as actuarial cost method, and the five year average of market value was used as asset valuation method for pension trust funds. The actuarial assumptions included (a) 7.65% for investment rate of return for all the retirement systems and (b) changes to projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for PERS and 2.10-9.98 percent based on age for PFRS.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 7.06% for PERS and 5.50% for DCRP of employee's annual compensation for fiscal year 2016.

Annual Pension Cost (APC)

Per the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*, for the years ended December 31, 2016 and 2015 for PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Annual Pension Cost (APC) (Continued)

During the years ended December 31, 2016, 2015 and 2014, the Borough, was required to contribute for normal cost pension contributions, accrued liability pension contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2016	\$ 994,385	\$ 359,705	\$ 7,000
2015	933,531	330,975	7,000
2014	977,722	317,731	1,066

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, 2016 and 2015, the Borough reported a liability of \$12,681,464 and \$9,004,820, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2016, the Borough's proportionate share was .04282 percent, which was an increase of .00271 percent from its proportionate share measured as of June 30, 2015 of .04011 percent.

For the year ended December 31, 2016 and 2015, the pension system has determined the Borough's pension expense to be \$1,330,887 and \$658,885, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$344,874 and \$316,235, respectively. At December 31, 2016 and 2015, the Borough's deferred outflows of resources and deferred inflows of resources related to PERS pension which are not reported on the Borough's financial statements are from the following sources:

	<u>2016</u>		<u>2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 235,837		\$ 214,823	
Changes of Assumptions	2,626,922		967,046	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	483,556			\$ 144,780
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>660,230</u>	<u>\$ 121,394</u>	<u>278,621</u>	<u>156,683</u>
Total	<u>\$ 4,006,545</u>	<u>\$ 121,394</u>	<u>\$ 1,460,490</u>	<u>\$ 301,463</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

At December 31, 2016 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending December 31,	<u>Total</u>
2017	\$ 874,561
2018	874,561
2019	981,564
2020	858,315
2021	296,150
Thereafter	<u>-</u>
	<u>\$ 3,885,151</u>

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases: 2012-2021		2.15-4.40%
Through 2026	1.65-4.15%	Based on Age
Thereafter	2.65-5.15%	3.15-5.40%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF NEW MILFORD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2016	June 30, 2016	3.98%
2015	June 30, 2015	4.90%

**BOROUGH OF NEW MILFORD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2034
Municipal Bond Rate *	From July 1, 2034 and Thereafter

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough's proportionate share of the PERS net pension liability as of December 31, 2016 and 2015 calculated using the discount rate of 3.98% and 4.90%, respectively, as well as what the Borough's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98% and 3.90%, respectively) or 1-percentage-point higher (4.98% and 5.90%, respectively) than the current rate:

	1% Decrease <u>(2.98%)</u>	Current Discount Rate <u>(3.98%)</u>	1% Increase <u>(4.98%)</u>
<u>2016</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 15,539,654</u>	<u>\$ 12,681,464</u>	<u>\$ 10,321,780</u>
	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
<u>2015</u>			
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 11,191,889</u>	<u>\$ 9,004,820</u>	<u>\$ 7,171,197</u>

The sensitivity analysis was based on the proportionate share of the Borough's net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough's net pension liability was not provided by the pension system.

**BOROUGH OF NEW MILFORD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Pension Plan Fiduciary Net Position

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2016 and 2015, the Borough reported a liability of \$20,872,740 and \$19,234,775, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, respectively. The Borough's proportionate share of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. As of the measurement date of June 30, 2016, the Borough's proportionate share was .10927 percent, which was a decrease of .00621 percent from its proportionate share measured as of June 30, 2015 of .11548 percent.

For the years ended December 31, 2016 and 2015, the pension system has determined the Borough pension expense to be \$2,105,174 and \$1,687,615, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$938,672 and \$877,983, respectively. At December 31, 2016 and 2015, the Borough's deferred outflows of resources and deferred inflows of resources related to PFRS pension which are not reported on the Borough's financial statements are from the following sources:

	2016		2015	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience		\$ 136,824		\$ 165,906
Changes of Assumptions	\$ 2,891,046		\$ 3,551,217	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,462,511			334,764
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>99,887</u>	<u>715,908</u>	<u>128,183</u>	<u>1,706</u>
Total	<u>\$ 4,453,444</u>	<u>\$ 852,732</u>	<u>\$ 3,679,400</u>	<u>\$ 502,376</u>

**BOROUGH OF NEW MILFORD
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

At December 31, 2016 the amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

Year Ending <u>December 31,</u>	<u>Total</u>
2017	\$ 884,722
2018	884,722
2019	1,251,559
2020	654,439
2021	(74,730)
Thereafter	-
	<u>\$ 3,600,712</u>

Actuarial Assumptions

The Borough's total pension liability reported for the year ended December 31, 2016 was based on the June 30, 2016 measurement date as determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability reported for the year ended December 31, 2015 was based on the June 30, 2015 measurement date as determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2016</u>	<u>2015</u>
Inflation Rate	3.08%	3.04%
Salary Increases:		
2012-2021		2.60-9.48%
Through 2026	2.10-8.98%	Based on Age
Thereafter	3.10-9.98%	3.60-10.48%
	Based on Age	Based on Age
Investment Rate of Return	7.65%	7.90%
Mortality Rate Table	RP-2000	RP-2000

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

The actuarial assumptions used in the July 1, 2015 and July 1, 2014 valuations were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013.

**BOROUGH OF NEW MILFORD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2016 and 2015, as reported for the years ended December 31, 2016 and 2015, respectively, are summarized in the following table:

<u>Asset Class</u>	<u>2016</u>		<u>2015</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%	5.00%	1.04%
U.S. Treasuries	1.50%	1.74%	1.75%	1.64%
Investment Grade Credit	8.00%	1.79%	10.00%	1.79%
Mortgages	2.00%	1.67%	2.10%	1.62%
High Yield Bonds	2.00%	4.56%	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.44%	1.50%	3.25%
Broad US Equities	26.00%	8.53%	27.25%	8.52%
Developed Foreign Equities	13.25%	6.83%	12.00%	6.88%
Emerging Market Equities	6.50%	9.95%	6.40%	10.00%
Private Equity	9.00%	12.40%	9.25%	12.41%
Hedge Funds/Absolute Return	12.50%	4.68%	12.00%	4.72%
Real Estate (Property)	2.00%	6.91%	2.00%	6.83%
Commodities	0.50%	5.45%	1.00%	5.32%
Global Debt ex US	5.00%	-0.25%	3.50%	-0.40%
REIT	5.25%	5.63%	4.25%	5.12%

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2016	June 30, 2016	5.55%
2015	June 30, 2015	5.79%

**BOROUGH OF NEW MILFORD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Discount Rate (Continued)

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2050
Municipal Bond Rate *	From July 1, 2050 and Thereafter

* The municipal bond return rate used is 2.85% and 3.80% as of the measurement dates of June 30, 2016 and 2015, respectively. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

The following presents the Borough’s proportionate share of the PFRS net pension liability as of December 31, 2016 and 2015 calculated using the discount rate of 5.55% and 5.79%, respectively, as well as what the Borough’s proportionate share of the PFRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.55% and 4.79%, respectively) or 1-percentage-point higher (6.55% and 6.79%, respectively) than the current rate:

	1% Decrease <u>(4.55%)</u>	Current Discount Rate <u>(5.55%)</u>	1% Increase <u>(6.55%)</u>
<u>2016</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 26,913,868</u>	<u>\$ 20,872,740</u>	<u>\$ 15,946,564</u>
	1% Decrease <u>(4.79%)</u>	Current Discount Rate <u>(5.79%)</u>	1% Increase <u>(6.79%)</u>
<u>2015</u>			
Borough's Proportionate Share of the PFRS Net Pension Liability	<u>\$ 25,357,540</u>	<u>\$ 19,234,775</u>	<u>\$ 14,242,207</u>

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 2016 and 2015. A sensitivity analysis specific to the Borough’s net pension liability was not provided by the pension system.

**BOROUGH OF NEW MILFORD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 14 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

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

At December 31, 2016 and 2015, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,752,793 and \$1,686,825, respectively. For the years ended December 31, 2016 and 2015, the pension system has determined the State's proportionate share of the pension expense attributable to the Borough for the PFRS special funding situation is \$223,873 and \$210,407, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$67,162 and \$87,808, respectively. The State's proportionate share attributable to the Borough was developed based on actual contributions made to PFRS allocated to employers based upon covered payroll. These on-behalf contributions have not been reported on the Borough's financial statements.

Pension Plan Fiduciary Net Position

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

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS

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 2016, the Borough contributed \$452,654 to the plan for current premiums (approximately 100 percent of total premiums) and no additional amount to prefund benefits. Plan members receiving benefits are not required to contribute towards the total premium.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 POST-RETIREMENT MEDICAL 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 2016 and 2015, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the plan.

	<u>2016</u>	<u>2015</u>
Annual Required Contribution	\$ 700,000	\$ 700,000
Interest on Net OPEB Obligation	115,340	100,000
Adjustment to Annual Required Contribution	<u>(130,000)</u>	<u>(130,000)</u>
Total (Annual OPEB Cost (Expense))	685,340	670,000
Contributions Made	<u>(452,654)</u>	<u>(400,000)</u>
Increase in Net OPEB Obligation	232,686	270,000
Net OPEB Obligation - Beginning of Year	<u>2,563,108</u>	<u>2,293,108</u>
Net OPEB Obligation - End of Year	<u>\$ 2,795,794</u>	<u>\$ 2,563,108</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 2016, 2015 and 2014 were as follows:

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligations</u>
2016	\$ 685,340	66.05%	\$ 2,795,794
2015	670,000	59.70%	2,563,108
2014	770,000	33.60%	2,293,108

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 \$6,619,800, and the ratio of the UAAL to the covered payroll was 1.27 percent.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 the plan members) and include 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 the effects of 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 .5 percent per year through year 7 to 5 % 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, 2016 was 29 years.

NOTE 14 RISK MANAGEMENT

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

The Borough 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, 2016 and 2015 the Borough has available in the Medical Claims Trust Fund \$81,434 and \$84,234 respectively, for the payment of these claims.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 14 RISK MANAGEMENT (Continued)

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

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

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

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

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

<u>Year Ended December 31</u>	<u>Borough Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ 32,000	\$ 6,755	\$ 15,159	\$ 87,860
2015	32,000	9,781	21,852	64,223
2014	32,000	9,713	30,322	44,265

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

NOTE 15 CONTINGENT LIABILITIES

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

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2016 and 2015. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. As of December 31, 2016 and 2015, the Borough reserved \$20,000 and \$0, respectively in the Current Fund for tax appeals pending in the New Jersey Tax Court. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2016 and 2015, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 16 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2016 and 2015, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

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

The Borough of New Milford Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on June 26, 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 7, 2000.

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 New Milford Volunteer Fire Department and the Volunteer Ambulance Corp, 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
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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

The Borough of New Milford has contributed \$1,393 and \$1,375 for 2016 and 2015, respectively, for each eligible volunteer fire department and volunteer ambulance corp. member into the Plan. The total Borough contributions were \$54,327 and \$50,875 for 2016 and 2015, respectively.

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

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

Vesting and Benefits

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

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

Reporting Requirements

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

NOTE 18 SUBSEQUENT EVENTS

Debt Authorized

On April 24, 2017, the Borough adopted a bond ordinance authorizing the issuance \$750,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

CURRENT FUND

**BOROUGH OF NEW MILFORD
STATEMENT OF CASH - TREASURER**

Balance, January 1, 2016		\$ 5,231,699
Increased by Receipts:		
Tax Collector	\$ 52,641,737	
Revenue Accounts Receivable	2,454,950	
Non Budget Revenue	520,856	
Due from State of NJ - Veterans' and Senior Citizens' Deductions	106,243	
Grants Receivable	88,742	
Accounts Receivable - Outside Police Duty	730,000	
Reserve for Grants and Aid - Unappropriated	6,023	
Fees Payable	23,777	
Petty Cash Returned	1,450	
Receipts from Animal Control Fund	10	
Receipts from Other Trust Fund	274	
Receipts from General Capital Fund	996	
		56,575,058
		61,806,757
Decreased by Disbursements:		
2016 Budget Appropriations	18,217,955	
2015 Appropriation Reserves	601,406	
Encumbrances Payable	10,065	
Local District School Tax	31,524,204	
Municipal Open Space Taxes	79,239	
County Taxes	4,522,382	
Accounts Receivable - Outside Police Duty	683,072	
Refund of Tax Overpayments	78,740	
Fees Payable	20,816	
Payments to General Capital Fund	11,178	
Appropriated Grant Reserves	82,951	
Petty Cash	1,450	
		55,833,458
Balance, December 31, 2016		\$ 5,973,299

**BOROUGH OF NEW MILFORD
STATEMENT OF CASH - TAX COLLECTOR**

Increased by Receipts:	
Revenue Accounts Receivable	\$ 96,538
Taxes Receivable	52,184,974
Tax Overpayments	78,434
Prepaid Taxes	<u>281,791</u>
	<u>52,641,737</u>
Decreased by:	
Payments to Treasurer	<u>\$ 52,641,737</u>

STATEMENT OF CHANGE FUNDS

<u>Office</u>	Balance, January 1, <u>2016</u>	Balance, December 31, <u>2016</u>
Tax Collector	\$ 200	\$ 200
Borough Clerk	25	25
Municipal Court	200	200
Records Department	<u>25</u>	<u>25</u>
	<u>\$ 450</u>	<u>\$ 450</u>

STATEMENT OF PETTY CASH FUNDS

Increased by:	
Cash Disbursed to Custodians	<u>\$ 1,450</u>
Decreased by:	
Returned to Finance Department	<u>\$ 1,450</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF DUE FROM STATE OF NEW JERSEY
SENIOR CITIZENS' AND VETERANS' DEDUCTIONS**

Balance, January 1, 2016		\$	21,591
Increased By:			
Senior Citizens, Veterans and Disabled Persons			
Tax Deductions:			
Per Tax Billings	\$	107,250	
Allowed by Tax Collector		<u>18,557</u>	
			<u>125,807</u>
			147,398
Decreased By:			
Received		106,243	
Deductions Disallowed by Tax Collector		<u>544</u>	
			<u>106,787</u>
Balance, December 31, 2016		\$	<u>40,611</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF TAXES RECEIVABLE AND ANALYSIS OF PROPERTY TAX LEVY**

Year	Balance, January 1, 2016	2016 Levy	Senior Citizens' and Veterans' Deductions Disallowed	2015	2016	Collected In 2016	Senior Citizens' and Veterans' Deductions Allowed	Transferred to Tax Title Liens	Cancelled	Balance, December 31, 2016
2015	\$ 443,839		\$ 544	\$ 206,792	\$ 437,321		\$ 125,807	\$ 1,967	\$ 689	\$ 5,829
2016	\$ -	\$ 52,594,859	\$ 544	\$ 206,792	\$ 51,747,653		\$ 125,807	\$ 1,967	\$ 34,916	\$ 478,268
	\$ 443,839	\$ 52,594,859	\$ 544	\$ 206,792	\$ 52,184,974		\$ 125,807	\$ 1,967	\$ 35,605	\$ 484,097

Analysis of 2016 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 52,465,925
Added Taxes (R.S. 54:4-63.1 et seq.)	<u>128,934</u>
	\$ 52,594,859

Tax Levy	
Local District School Tax (Abstract)	\$ 31,524,204
Municipal Open Space Tax	79,162
County Tax (Abstract)	\$ 4,461,814
County Tax for Added Taxes (R.S. 54:4-63 et seq.)	11,065
County Open Space Tax	<u>45,886</u>
	4,518,765

Local Tax for Municipal Purposes (Abstract)	15,736,402
Minimum Library Tax	607,509
Add Additional Tax Levy	<u>128,817</u>
	16,472,728
	<u>\$ 52,594,859</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF TAX TITLE LIENS**

Balance, January 1, 2016	\$ 15,585
Increased By:	
Transferred from Taxes Receivable	<u>1,967</u>
Balance, December 31, 2016	<u>\$ 17,552</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE**

	Balance, January 1, <u>2016</u>	Accrued in <u>2016</u>	Collected in 2016		Balance, December 31, <u>2016</u>
			<u>Treasurer</u>	<u>Collector</u>	
Borough Clerk					
Alcoholic Beverage					
Licenses		\$ 17,360	\$ 17,360		
Licenses - Other		39,225	39,225		
Construction Code Official					
Fees and Permits		277,013	277,013		
Fees and Permits - Other					
Search Companies		225	225		
Gun Permits		601	601		
Photostats		1,630	1,630		
Fingerprints		241	241		
Duplicate Tax Bills		41		\$ 41	
Municipal Court					
Fines and Costs	\$ 13,419	151,105	148,775		\$ 15,749
Interest and Costs on Taxes		96,497		96,497	
Interest on Investments and Deposits		4,132	4,132		
Fire Safety Act Fees		9,562	9,562		
Recreation Fees		18,385	18,385		
Energy Receipts Tax		1,615,078	1,615,078		
Life Hazard Use Fees		10,078	10,078		
Recycling Revenue		19,419	19,419		
Cell Tower Rent - Gaelic Communications		59,487	59,487		
Cable TV Franchise Fee		233,739	233,739		
		<u>233,739</u>	<u>233,739</u>	<u>-</u>	<u>-</u>
	<u>\$ 13,419</u>	<u>\$ 2,553,818</u>	<u>\$ 2,454,950</u>	<u>\$ 96,538</u>	<u>\$ 15,749</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF EMERGENCY AUTHORIZATIONS**

Balance, January 1, 2016	\$ 17,500
Increased By:	
Authorized in 2016 Budget	<u>50,000</u>
	67,500
Decreased By:	
Raised in 2016 Budget	<u>17,500</u>
Balance, December 31, 2016	<u>\$ 50,000</u>

STATEMENT OF PREPAID TAXES

Balance, January 1, 2016	\$ 206,792
Increased by:	
Collection of 2017 Taxes	<u>281,791</u>
	488,583
Decreased by:	
Applied to 2016 Taxes Receivable	<u>206,792</u>
Balance, December 31, 2016	<u>\$ 281,791</u>

STATEMENT OF ACCOUNTS RECEIVABLE - OUTSIDE POLICE DUTY

Balance, January 1, 2016	\$ 144,119
Decreased by:	
Cash Disbursements	<u>683,072</u>
	827,191
Decreased by:	
Cash Receipts	<u>730,000</u>
Balance, December 31, 2016	<u>\$ 97,191</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF 2015 APPROPRIATION RESERVES**

	Balance, January 1, <u>2016</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages				
General Administration	\$ 29	\$ 29		\$ 29
Mayor and Council	250	250	\$ 250	-
Municipal Clerk	3,718	3,718		3,718
Collection of Taxes	3,036	3,036		3,036
Assessment of Taxes	506	506		506
Planning Board	5,780	5,780		5,780
Zoning Board of Adjustments	502	502		502
Construction Code Official	4,866	4,866		4,866
Rent Leveling Board	30	30		30
Police	268,767	268,767		268,767
Fire	850	850		850
Fire Official	306	306		306
Road Repairs and Maintenance	51,712	51,712	35,807	15,905
Recycling	6,794	6,794	977	5,817
Buildings and Grounds	6,198	6,198	2,103	4,095
Board of Health	361	361		361
Recreation Services and Programs	6	106	98	8
Environmental Committee	140	140		140
Senior Citizens Program	1,588	1,588		1,588
Municipal Court	941	941		941
Public Defender	2,000	2,000		2,000
Other Expenses				
Municipal Clerk	3,673	14,097	9,265	4,832
Financial Administration	5,128	5,128	5,007	121
Audit Services	3,500	3,500		3,500
Collection of Taxes	4,089	5,544	1,427	4,117
Assessment of Taxes	5,410	8,287	2,729	5,558
Legal Services and Costs	1,864	13,222	13,222	-
Engineering Services and Costs	841	12,231	11,077	1,154
Planning Board	7,774	11,736	4,017	7,719
Zoning Board of Adjustments	5,658	7,123	1,390	5,733
Liability	21,169	21,169	1,983	19,186
Liability (Bergen Joint Insurance Fund)	77,086	77,086	76,100	986
Worker's Compensation - BJIF	102,841	102,841	81,865	20,976
Employee Group Insurance	259,061	247,961		247,961
Health Benefit Waiver	29	29		29
Police Department	20,357	46,278	26,221	20,057
Emergency Management Services	1,155	8,452	7,289	1,163
Fire	12,947	25,972	12,071	13,901
Fire Official	47	1,188	1,141	47
First Aid	50	891	851	40
Road Repairs and Maintenance	37,420	78,325	48,886	29,439
Garbage and Trash Removal	126,870	217,957	77,317	140,640
Recycling	30,697	74,684	31,041	43,643

**BOROUGH OF NEW MILFORD
STATEMENT OF 2015 APPROPRIATION RESERVES**

	Balance, January 1, <u>2016</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)				
Buildings and Grounds	\$ 2,807	\$ 15,027	\$ 9,773	\$ 5,254
Vehicle Maintenance	8,129	17,942	9,645	8,297
Board of Health	13,170	14,871	1,701	13,170
Environmental Committee	620	620		620
Recreation Services and Programs	2,911	4,664	2,481	2,183
Animal Control	7,396	7,396		7,396
Historical Commission	150	150		150
Shade Tree Committee	7,020	7,020	120	6,900
Senior Citizen Program	8,725	10,564	1,772	8,792
Construction Code Official	3,094	4,747	4,747	-
Rent Leveling Board	413	2,463	2,037	426
Electricity	8,238	17,838	16,789	1,049
Street Lighting	40,787	40,787	23,782	17,005
Telephone	15,601	19,222	4,321	14,901
Water	25,513	28,871	7,322	21,549
Gas and Oil	50,661	63,153	17,649	45,504
Celebration of Events	401	401		401
Municipal Court	4,604	6,749	1,070	5,679
Social Security System	6,877	6,877		6,877
Public Employees Retirement System	1	1		1
Defined Contribution Retirement Program		1,058	698	360
Sewer Charges - Debt Service	1	1		1
Maintenance of Free Public Library	17,098	17,098	17,098	-
LOSAP	75,000	75,000	50,875	24,125
	<u>\$ 1,385,263</u>	<u>\$ 1,704,701</u>	<u>\$ 624,014</u>	<u>\$ 1,080,687</u>
Appropriation Reserves		\$ 1,385,263		
Encumbrances Payable		<u>319,438</u>		
		<u>\$ 1,704,701</u>		
Cash Disbursements			\$ 601,406	
Reserve for Encumbrances			<u>22,608</u>	
			<u>\$ 624,014</u>	

**BOROUGH OF NEW MILFORD
STATEMENT OF GRANTS RECEIVABLE**

	Balance, January 1, 2016	Grant Awards	Cash Receipts	Balance, December 31, 2016
OEM-Hazard Mitigation	\$ 14,044			\$ 14,044
Recycling Tonnage Grant		\$ 17,071	\$ 17,071	
EPA Bonus Grant		5,000	5,000	
Click It or Ticket	246	4,000	4,000	246
Clean Communities	2,177	35,296	35,296	2,177
Body Armor	1,924			1,924
Municipal Alliance		11,677	6,695	4,982
Title III - Senior Citizens	<u>3,447</u>	<u>20,680</u>	<u>20,680</u>	<u>3,447</u>
	<u>\$ 21,838</u>	<u>\$ 93,724</u>	<u>\$ 88,742</u>	<u>\$ 26,820</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF FEES PAYABLE**

	Balance, January 1, <u>2016</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2016</u>
Marriage License Fees Payable	\$ 325	\$ 2,350	\$ 2,250	\$ 425
DCA Fees Payable	1,661	21,427	18,566	4,522
Burial Permit Fees Payable	<u>1,453</u>	<u>-</u>	<u>-</u>	<u>1,453</u>
	<u>\$ 3,439</u>	<u>\$ 23,777</u>	<u>\$ 20,816</u>	<u>\$ 6,400</u>

EXHIBIT A-18

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, January 1, 2016	\$ 330,012
Increased by:	
Charges to 2016 Budget Appropriations	\$ 577,600
Charges to 2015 Appropriation Reserves	22,608
Charges to Grant Appropriated Reserves	<u>21,064</u>
	<u>621,272</u>
	951,284
Decreased by:	
Cash Disbursements	10,065
Cancelled to Grant Appropriated Reserves	509
Transferred to Appropriation Reserves	<u>319,438</u>
	<u>330,012</u>
Balance, December 31, 2016	<u>\$ 621,272</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF TAX OVERPAYMENTS**

Balance, January 1, 2016	\$	1,209
Increased by:		
Cash Receipts		<u>78,434</u>
		79,643
Decreased by:		
Cash Disbursements		<u>78,740</u>
Balance, December 31, 2016	\$	<u>903</u>

STATEMENT OF LOCAL DISTRICT SCHOOL TAX

Increased by:		
Levy - Calendar Year 2016	\$	<u>31,524,204</u>
Decreased by:		
Cash Disbursements		<u>31,524,204</u>

BOROUGH OF NEW MILFORD
STATEMENT OF DUE TO MUNICIPAL OPEN SPACE TRUST FUND

Balance, January 1, 2016		\$ 272
Increased by:		
Levy - Calendar Year 2016	\$ 78,967	
Added Taxes	<u>195</u>	
		<u>79,162</u>
		79,434
Decreased by:		
Cash Disbursements		<u>79,239</u>
Balance, December 31, 2016		<u>\$ 195</u>

EXHIBIT A-22

STATEMENT OF COUNTY TAXES PAYABLE

Balance, January 1, 2016		\$ 14,682
Increased by:		
2016 Tax Levy	\$ 4,461,814	
Due County for Added and Omitted Taxes	11,065	
County Open Space Tax	<u>45,886</u>	
		<u>4,518,765</u>
		4,533,447
Decreased by:		
Cash Disbursements		<u>4,522,382</u>
Balance, December 31, 2016		<u>\$ 11,065</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF GRANT UNAPPROPRIATED RESERVES**

	Balance, January 1, <u>2016</u>	<u>Received</u>	Anticipated in 2016 <u>Budget</u>	Balance, December 31, <u>2016</u>
Bulletproof Vest Partnership		\$ 111		\$ 111
Click it or Ticket		676		676
Title III - Senior Citizens		1,210		1,210
Body Armor	<u>\$ 6,894</u>	<u>4,026</u>	<u>\$ 6,894</u>	<u>4,026</u>
	<u>\$ 6,894</u>	<u>\$ 6,023</u>	<u>\$ 6,894</u>	<u>\$ 6,023</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF GRANT APPROPRIATED RESERVES**

	Balance, January 1, <u>2016</u>	Increased by: Budget <u>Appropriation</u>	Prior Year Encumbrances <u>Cancelled</u>	Decreased by: <u>Paid/Charged</u>	Balance, December 31, <u>2016</u>
Drunk Driving Enforcement Fund	\$ 1,936			\$ 169	\$ 1,767
Clean Communities	24,694	\$ 35,296		29,731	30,259
EPA Bonus Grant		5,000		5,000	-
EPA Bonus Grant - Local Match		5,000		4,835	165
Body Armor Fund	4,539	6,894		7,790	3,643
Bullet Proof Vest Partnership	1,406		\$ 509		1,915
Municipal Stormwater Management'	4,972				4,972
Recycling Tonnage Grant	18,301	17,071		29,106	6,266
Alcohol Education and Rehabilitation	1,621				1,621
Municipal Alliance		11,677		6,720	4,957
OEM Hazard Mitigation Program	14,044				14,044
Bergen County Environmental Energy	400				400
Click It or Ticket	246	4,000			4,246
Title III - Senior Citizens	-	20,680	-	20,664	16
	<u>\$ 72,159</u>	<u>\$ 105,618</u>	<u>\$ 509</u>	<u>\$ 104,015</u>	<u>\$ 74,271</u>
				Cash Disbursements \$ 82,951	
				Encumbrances Payable <u>21,064</u>	
				<u>\$ 104,015</u>	

EXHIBIT A-25

STATEMENT OF RESERVE FOR TAX APPEALS

Increased By:	
Transfer from 2016 Tax Collections	<u>\$ 20,000</u>
Balance, December 31, 2016	<u>\$ 20,000</u>

TRUST FUND

BOROUGH OF NEW MILFORD
STATEMENT OF TRUST CASH - TREASURER

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Unemployment Compensation Insurance Trust Fund</u>	<u>Recreation Trust Fund</u>
Balance, January 1, 2016	\$ 14,613	\$ 678,832	\$ 64,398	\$ 26,208
Increased by Receipts:				
Interest on Investments and Deposits	\$ 10	\$ 41		
Miscellaneous Reserves		\$ 16,222,310		
License Fees	6,154			
Late and Other Fees	1,983			
Due to State of New Jersey	1,416			
Budget Appropriation			32,000	
Recreation Trust Fees			\$ 42,957	
Employee Contributions	9,563	16,222,310	6,755	42,957
	<u>24,176</u>	<u>16,901,142</u>	<u>38,796</u>	<u>69,165</u>
Decreased by Disbursements:				
Miscellaneous Reserves		15,639,203		
Due to LOSAP Trust Fund			103,194	
Payments to Current Fund	10	274		
Due to State of New Jersey	1,412			
Animal Control Expenditures	1,907			
Recreation Trust Expenditures				68,517
	<u>3,329</u>	<u>15,639,477</u>	<u>14,733</u>	<u>68,517</u>
Balance, December 31, 2016	<u>\$ 20,847</u>	<u>\$ 1,261,665</u>	<u>\$ 88,461</u>	<u>\$ 648</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF TRUST CASH - TREASURER**

	Medical Claims Trust Fund	Community Development Trust Fund	Open Space Trust Fund
Balance, January 1, 2016	\$ 84,234	\$ 8	\$ 45,286
Increased by Receipts:			
Interest on Investments and Deposits	\$ 31	\$	36
Grant Receipts	295,791		
Medical Claims Trust Deposits			79,239
Municipal Open Space Tax	<u>295,822</u>	<u>-</u>	<u>79,275</u>
	380,056	8	124,561
Decreased by Disbursements:			
Payments to General Capital Fund			104,557
CDBG Trust Expenditures	298,622		
Medical Claims Trust Expenditures			
Open Space Trust Expenditures	<u>298,622</u>	<u>-</u>	<u>104,557</u>
Balance, December 31, 2016	<u>\$ 81,434</u>	<u>\$ 8</u>	<u>\$ 20,004</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF RESERVE FOR ANIMAL CONTROL FUND EXPENDITURES
ANIMAL CONTROL TRUST FUND**

Balance, January 1, 2016		\$ 13,285
Increased by:		
License Fees	\$ 6,154	
Late and Other Fees	<u>1,983</u>	
		<u>8,137</u>
		21,422
Decreased by:		
Cash Disbursements	1,907	
Statutory Excess	<u>5,290</u>	
		<u>7,197</u>
Balance, December 31, 2016		<u>\$ 14,225</u>

EXHIBIT B-5

**STATEMENT OF DUE TO THE STATE OF NEW JERSEY
ANIMAL CONTROL TRUST FUND**

Increased by:		
State Registration Fees		\$ 1,416
Decreased by:		
Payments to State of New Jersey		<u>1,412</u>
Balance, December 31, 2016		<u>\$ 4</u>

EXHIBIT B-6

STATEMENT OF DUE TO CURRENT FUND - OTHER TRUST FUND

Balance, January 1, 2016		<u>\$ 274</u>
Decreased by:		
Payments to Current Fund		<u>\$ 274</u>

BOROUGH OF NEW MILFORD
STATEMENT OF DUE FROM CURRENT FUND - OPEN SPACE TRUST FUND

Balance, January 1, 2016		\$ 272
Increased by:		
Added Assessments - Open Space Tax	\$ 195	
Open Space Tax	<u>78,967</u>	
		<u>79,162</u>
		79,434
Decreased by:		
Cash Receipts		<u>79,239</u>
Balance, December 31, 2016		<u>\$ 195</u>

EXHIBIT B-8

STATEMENT OF DUE TO CURRENT FUND - ANIMAL CONTROL FUND

Balance, January 1, 2016		\$ 1,328
Increased by:		
Interest on Deposits	\$ 10	
Statutory Excess	<u>5,290</u>	
		<u>5,300</u>
		6,628
Decreased by:		
Payments to Current Fund		<u>10</u>
Balance, December 31, 2016		<u>\$ 6,618</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF MISCELLANEOUS RESERVES - OTHER TRUST FUND**

<u>Account</u>	Balance, January 1, 2016	<u>Increased</u>	Cash <u>Disbursements</u>	Balance, December 31, 2016
Escrow Deposits	\$ 133,373	\$ 72,353	\$ 50,583	\$ 155,143
Tax Title Liens and Premiums	33,500	35,600	8,500	60,600
Landlord Emergency Repairs	22,500			22,500
Parking Offenses Adjudication Act	25,707	732		26,439
D.A.R.E Trust	9,086	11,980	11,563	9,503
Shade Tree	175			175
Junior Police Academy	5,987	10,778	10,012	6,753
Historic Preservation	15			15
Uniform Fire Code	1,734	101		1,835
Police Outside Duty	47,395	1,170,235	1,130,000	87,630
Beautification Donation	955	135	638	452
Insurance Proceeds	5,603		4,750	853
Senior Center Donation	3,394	900		4,294
Public Defender	15,374	3,400		18,774
Snow Removal	289,404	20,154		309,558
Accrued Payroll	78,021	14,317,054	14,279,043	116,032
Flexible Spending	2,808	143,986	143,955	2,839
Accumulated Absences		400,000		400,000
Affordable Housing		34,402	159	34,243
Police Auxiliary	3,527	500	-	4,027
	<u>\$ 678,558</u>	<u>\$ 16,222,310</u>	<u>\$ 15,639,203</u>	<u>\$ 1,261,665</u>

STATEMENT OF RESERVE FOR EXPENDITURES - RECREATION TRUST FUND

Balance, January 1, 2016	\$ 26,208
Increased by:	
Cash Receipts	<u>42,957</u>
	69,165
Decreased by:	
Payments	<u>68,517</u>
Balance, December 31, 2016	<u>\$ 648</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF RESERVE FOR EXPENDITURES - MEDICAL CLAIMS TRUST FUND**

Balance, January 1, 2016	\$	84,234
Increased by:		
Interest Earned	\$	31
Cash Receipts		<u>295,791</u>
		<u>295,822</u>
		380,056
Decreased by:		
Cash Disbursements		<u>298,622</u>
Balance, December 31, 2016	\$	<u>81,434</u>

EXHIBIT B-12

STATEMENT OF RESERVE FOR EXPENDITURES - COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND

Balance, January 1, 2016	\$	<u>1</u>
Balance, December 31, 2016	\$	<u>1</u>

EXHIBIT B-13

**STATEMENT OF DUE TO COUNTY OF BERGEN
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND**

Balance, January 1, 2016	\$	<u>7</u>
Balance, December 31, 2016	\$	<u>7</u>

BOROUGH OF NEW MILFORD
STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE

Balance, January 1, 2016		\$	64,223
Increased by:			
Borough Contributions	\$	32,000	
Employee Contributions		6,755	
Interest Earned		<u>41</u>	
			<u>38,796</u>
			103,019
Decreased by:			
Due to State of New Jersey			<u>15,159</u>
Balance, December 31, 2016		\$	<u>87,860</u>

EXHIBIT B-15

STATEMENT OF DUE TO THE STATE OF NEW JERSEY
UNEMPLOYMENT COMPENSATION INSURANCE FUND

Balance, January 1, 2016		\$	175
Increased by:			
Claims			<u>15,159</u>
			15,334
Decreased By:			
Payments			<u>14,733</u>
Balance, December 31, 2016		\$	<u>601</u>

BOROUGH OF NEW MILFORD
STATEMENT OF RESERVE FOR EXPENDITURES - OPEN SPACE TRUST FUND

Balance , January 1, 2016		\$	45,558
Increased by:			
Open Space Tax	\$	78,967	
Added Taxes Open Space		195	
Cash Receipts - Interest Earned		<u>36</u>	
			<u>79,198</u>
			124,756
Decreased by:			
Improvement Authorizations Funded by Open Space Trust Fund:			
Cash Disbursements		104,557	
Due to General Capital Fund		<u>87</u>	
			<u>104,644</u>
Balance , December 31, 2016		\$	<u>20,112</u>

GENERAL CAPITAL FUND

**BOROUGH OF NEW MILFORD
STATEMENT OF GENERAL CAPITAL CASH**

Balance, January 1, 2016		\$ 1,447,599
Increased by Receipts:		
Interest on Investments and Deposits	\$ 1,083	
Receipts from Open Space Trust Fund	104,557	
Reimbursement of Prior Year Expenditures	1,067	
Grants and Contributions Receivable	394,173	
Capital Improvement Fund	250,000	
Receipts from Current Fund	11,178	
Bond Anticipation Notes	<u>2,406,000</u>	
		<u>3,168,058</u>
		4,615,657
Decreased by Disbursements:		
Improvement Authorizations	2,951,896	
Payments made to Current Fund	996	
Bond Anticipation Notes Paid with Capital Cash	<u>29,055</u>	
		<u>2,981,947</u>
Balance, December 31, 2016		<u>\$ 1,633,710</u>

**BOROUGH OF NEW MILFORD
ANALYSIS OF GENERAL CAPITAL CASH**

	Balance, December 31, <u>2016</u>
Fund Balance	\$ 16,602
Contracts Payable	4,397,265
Due to Current Fund	87
Due from Open Space	(87)
Grants and Contributions Receivable	(247,916)
Capital Improvement Fund	174,838
Reserve for Payment of Debt	68,892
Reserve for Green Acres	46
Reserve for Legislative Grant	30,000
Excess Proceeds - Ord. 13-07	37,500

Improvement Authorizations:

<u>Ordinance Number</u>	<u>Improvement Description</u>	
04-10	Various Improvements	(218,000)
07-03	Various Public Improvements	4,986
08-07	Improvements to the Boulevard, Section 4	14,030
08-08	Various Improvements	2,207
09-13	Various Public Improvements	(20,259)
11-09	Various Public Improvements	27
12-07	Various Public Improvements	(54,954)
13-06/14-25	Various Public Improvements	64,726
14-06	Various Public Improvements	(2,380,307)
14-20	Various Recreation Improvements	2,774
14-23	Bypass of the Borough's Sanitary Sewer Line and Connection to the BCUA at Henley Avenue	17,863
15-06	Various Public Improvements	120,752
15-12	Improvement of Blvd (Sec. 7 Hoffman to Reichelt Rd)	6,137
15-16	Rehabilitation of Basketball Courts at Prospect Park	19,124
15-17	Improvement of Berkley St	15,310
15-22/16-26	Acquisition of New Garbage Trucks and a Mason Dump Truck	(35,884)
16-10	Various Public Improvements and Acquisitions	(606,513)
16-11	Various Public Acquisitions	26,432
16-12	Rehabilitation of the Senior Center (Phase III)	557
16-20	Various Public Acquisitions	221
16-30	Berkeley School Field Rehabilitation Project	<u>177,254</u>
		 <u>\$ 1,633,710</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF DUE TO/FROM CURRENT FUND**

Balance, January 1, 2016 (Due From)		\$ 11,178
Increased by:		
Payments made to Current Fund		<u>996</u>
		12,174
Decreased by:		
Interest on Investments and Deposits	\$ 1,083	
Cash Received from Current Fund	<u>11,178</u>	
		<u>12,261</u>
Balance, December 31, 2016 (Due To)		<u><u>\$ 87</u></u>

BOROUGH OF NEW MILFORD
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED

Balance, January 1, 2016		\$ 11,690,642
Decreased by:		
Bonds Paid By Budget Appropriations	\$ 710,000	
Loans Paid By Budget Appropriations	56,335	
Loans Paid By NJEIT Refunding Savings	<u>104,000</u>	
		<u>870,335</u>
Balance, December 31, 2016		<u>\$ 10,820,307</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - UNFUNDED**

Ord. No.	Improvement Description	Balance, January 1, 2016	2016 Authorizations	Notes Paid by Reserve for Debt Service	Authorizations Cancelled	Balance, December 31, 2016	Bond Anticipation Notes	Analysis of Balance, December 31, 2016	
								Expenditures	Unexpended Improvement Authorizations
04-10	Various Improvements	\$ 218,000				\$ 218,000		\$ 218,000	
05-14/07-16	Various Public Improvements	118			118	-			
08-08	Various Improvements	435			435	-			
09-13	Various Public Improvements	20,259				20,259		20,259	
12-07	Various Public Improvements	98,060			9,104	59,901		54,954	4,947
14-06	Various Public Improvements	5,203,000				5,203,000	\$ 2,000,000	2,380,307	822,693
14-27	Drainage Improvements at Cherry and Chestnut Streets	281,000				281,000			
14-28	Senior Center Rehabilitation (Phase III), Amend 14-06	92,935				92,935			
15-22/16-26	Acquisition of New Garbage Trucks and a Mason Dump Truck	461,900				461,900		35,884	20,016
16-10	Acquisition of Equipment and Machinery	-				738,000		606,513	131,487
		\$ 6,375,707	\$ 738,000	\$ 29,055	\$ 9,657	\$ 7,074,995	\$ 2,779,935	\$ 3,315,917	\$ 979,143

Bond Anticipation Notes \$ 2,817,435
Less: Excess Proceeds - Ord 13-07 37,500

\$ 2,779,935

**BOROUGH OF NEW MILFORD
STATEMENT OF CAPITAL IMPROVEMENT FUND**

Balance, January 1, 2016		\$ 22,330
Increased by:		
2016 Budget Appropriation		<u>250,000</u>
		272,330
Decreased by:		
Appropriated to Finance Improvement Authorizations	\$ 76,500	
Appropriated to Finance Improvement Authorizations Expended Relating to Canceled Grant Receivables	<u>20,992</u>	
		<u>97,492</u>
Balance, December 31, 2016		<u>\$ 174,838</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF CONTRACTS PAYABLE**

Balance, January 1, 2016	\$ 882,848
Increased by:	
Contracts Awarded	<u>4,397,265</u>
	5,280,113
Decreased by:	
Restored to Improvement Authorizations	<u>882,848</u>
Balance, December 31, 2016	<u>\$ 4,397,265</u>

BOROUGH OF NEW MILFORD
STATEMENT OF IMPROVEMENT AUTHORIZATIONS

Ord. No.	Improvement Description	Ordinance Date	Amount	Balance, January 1, 2016		2016 Authorizations	Prior Year Encumbrances Restored	Expended	Reimbursement of Prior Year Expenditures	Cancelled	Balance, December 31, 2016	
				Funded	Unfunded						Funded	Unfunded
05-14/07-16	Various Public Improvements	3/26/2007	\$ 330,000	\$ 4,986	\$ 118						\$ 4,986	
07-03	Various Public Improvements	6/23/2008	205,000	14,030							14,030	
08-07	Improvements to the Boulevard, Section 4	7/28/2008	580,000	2,207	435						2,207	
09-05	Various Public Improvements	4/27/2009	477,000	5,871		\$ 11,807	\$ 17,678					
10-05	Various Public Improvements	2/22/2010	450,000			2,193	2,193					
10-06/16-23	Various Public Improvements	2/22/10, 9/26/16	597,000	34,739		3,285	3,285			34,739		
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	4/26/2010	625,000	58,352		34,011	92,363					
11-09	Various Public Improvements	4/25/2011	764,000	12,955		200	4,206			8,922	27	\$ 4,947
12-07	Various Public Improvements	5/14/2012	925,450		19,682	19,627	25,258			9,104		
12-08/16-23	Installation of Lighting at Kennedy Field	5/14/12, 9/26/16	325,000			288		\$ 1,067				
12-12	Improvement of Center Street	7/23/2012	183,000	7,297								
13-06/14-25	Various Public Improvements	5/19/13, 10/27/14	4,880,100	141,038		334,793	411,105				64,726	
13-09	Various Public Improvements	10/28/2013	97,000			2,424	1,328			1,096		
13-13/16-23	Interior Improvements at Senior Center	11/25/13, 9/26/16	46,000	11,632						11,632		
14-06	Various Public Improvements	4/28/2014	5,464,275		4,952,054	36,484	4,165,845					
14-20	Various Recreation Improvements	8/25/2014	116,000	95,257		11,144	103,627				2,774	
14-22/15-02	ADA Cooperative Curb/Ramp Construction	8/25/14, 2/23/15	261,650	52,210		8,710				60,920		
14-23	Bypass of the Borough's Sanitary Sewer Line and Connection to the BCUA at Henley Avenue	9/22/2014	60,000	49,406							17,863	
14-27	Drainage Improvements at Cherry and Chestnut Streets	11/24/2014	395,000		13,245							
14-28	Senior Center Rehabilitation (Phase III), Amend 14-06	11/24/2014	114,000	15	92,935	13,320	106,270					
14-31	Acquisition of a New Loader for DPW	11/24/2014	150,000	285			285					
15-06/16-29	Acquisition of a New Loader for Fire Official	4/20/15, 11/28/16	1,073,000	504,590		371,212	755,050				120,752	
15-12	Improvement of Blvd (Sec. 7 Hoffman to Reichell Rd)	5/27/2015	180,000	164,827		2,617	161,307				6,137	
15-16	Rehabilitation of Basketball Courts at Prospect Park	9/28/2015	123,700	108,969		9,400	99,236				19,124	
15-17	Improvement of Berkeley St	9/28/2015	155,000	142,810		11,500	139,000				15,310	
15-22/16-26	Acquisition of New Garbage Trucks and a Mason Dump Truck	12/14/15, 11/28/16	485,000	23,100	461,900		464,984				20,016	
16-10	Various Public Improvements and Acquisitions	4/25/2016	775,000				643,513				131,487	
16-11	Various Public Acquisitions	4/25/2016	64,907	64,907			38,475				26,432	
16-12	Rehabilitation of the Senior Center (Phase II)	5/9/2016	20,810	20,810			20,253				557	
16-20	Various Public Acquisitions	8/22/2016	39,500	39,500			39,279				221	
16-30	Berkley School Field Rehab. Project	12/19/2016	177,254								177,254	
			\$ 1,434,567	\$ 5,540,369	\$ 1,077,471	\$ 882,848	\$ 7,349,161	\$ 1,067	\$ 135,618	\$ 472,400	\$ 979,143	

Deferred Charges - Unfunded	\$ 738,000
Capital Improvement Fund	76,500
Grant Receivable	102,254
General Capital - Fund Balance	85,717
Due from Open Space Trust Fund	75,000
	\$ 1,077,471

Cash Disbursements	\$ 2,951,896
Contracts Payable	4,327,265
	\$ 7,349,161

Grant Receivable	\$ 109,742
Deferred Charges - Unfunded	9,657
General Capital - Fund Balance	16,219
	\$ 135,618

**BOROUGH OF NEW MILFORD
STATEMENT OF SERIAL BONDS**

Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2016			Interest Rate	Balance, January 1, 2016	Decreased	Balance, December 31, 2016
		Date	Amount	%				
General Improvement Bonds of 2009								
5/1/2009	\$ 4,160,000	5/1/2017	\$ 370,000	3.00	\$ 2,340,000	\$ 235,000	\$ 2,105,000	
		5/1/2018	395,000	3.25				
		5/1/2019	420,000	3.25				
		5/1/2020	445,000	3.50				
		5/1/2021	475,000	3.50				
General Improvement Bonds of 2015								
12/1/2015	8,610,000	12/1/2017	300,000	1.50				
		12/1/2018	300,000	1.75				
		12/1/2019	290,000	2.00				
		12/1/2020	290,000	2.00				
		12/1/2021	290,000	2.00				
		12/1/2022	580,000	2.00				
		12/1/2023	580,000	2.00				
		12/1/2024	575,000	2.25				
		12/1/2025	575,000	2.375				
		12/1/2026	555,000	2.50				
		12/1/2027	550,000	3.00				
		12/1/2028	550,000	3.00				
		12/1/2029	550,000	3.00				
		12/1/2030	550,000	3.00				
		12/1/2031	550,000	3.00				
		12/1/2032	550,000	3.125				
		12/1/2033	500,000	3.125				
					8,610,000	475,000	8,135,000	
					\$ 10,950,000	\$ 710,000	\$ 10,240,000	
					Paid by Current Fund Budget \$ 710,000			

**BOROUGH OF NEW MILFORD
STATEMENT OF RESERVE FOR LEGISLATIVE GRANT**

Balance, January 1, 2016	<u>\$ 30,000</u>
Balance, December 31, 2016	<u><u>\$ 30,000</u></u>

BOROUGH OF NEW MILFORD
STATEMENT OF GRANTS AND CONTRIBUTIONS RECEIVABLE

	<u>Total</u>	<u>Community Development Block Grant</u>	<u>Bergen County Open Space Trust Fund</u>	<u>Department of Transportation</u>	<u>Due from Bergen County</u>	<u>Due from Board of Education</u>	<u>Contribution Rec. Homeowner's Flood Insurance Proceeds</u>
Balance, January 1, 2016	\$ 1,074,442	\$ 202,612	\$ 178,680	\$ 430,000	\$ 261,650		\$ 1,500
Increased by:							
Grant Award							
Ord. 16-30 Berkley School Field Rehab. Project	102,254	-	62,254	-	-	\$ 40,000	-
	<u>1,176,696</u>	<u>202,612</u>	<u>240,934</u>	<u>430,000</u>	<u>261,650</u>	<u>40,000</u>	<u>1,500</u>
Decreased by:							
Cash Receipts:							
Ord. 14-20 (Recreation Improvements)	42,525		42,525				
Ord. 15-16 (Rehab of Basketball Courts)	39,168		39,168				
Ord. 15-12 (Imprvt of Blvd - Hoffman)	111,750			111,750			
Ord. 14-22 (ADA Curb/Ramp Const.)	200,730	-	-	-	200,730		
Total of Cash Receipts	<u>394,173</u>	<u>-</u>	<u>81,693</u>	<u>111,750</u>	<u>200,730</u>	<u>-</u>	<u>-</u>
Canceled:							
Ord. 10-06 (Imprvt of Hardcastle Pond)	17,678		17,678				
Ord. 10-06 (Sutton - Tennis Courts)	31,301		31,301				
Ord. 12-07 (Handicapped Access for the Senior Center)	113	113					
Ord. 12-08 (Lighting at Kennedy Field)	31,000		31,000				
Ord. 13-09 (Imprvts to Various Fields)	1,096		1,096				
Ord. 13-12 (Hurricane Iren Damaged Homes)	1,500						1,500
Ord. 14-22 (ADA Curb/Ramp Const.)	60,920				60,920		
Ord. 13-13 (Interior Imprvts to Senior Ctr)	16,883	16,883	-	-	-		
Total of Canceled	<u>160,491</u>	<u>16,996</u>	<u>81,075</u>	<u>-</u>	<u>60,920</u>	<u>-</u>	<u>1,500</u>
	<u>554,664</u>	<u>16,996</u>	<u>162,768</u>	<u>111,750</u>	<u>261,650</u>	<u>-</u>	<u>1,500</u>
Balance, December 31, 2016	<u>\$ 622,032</u>	<u>\$ 185,616</u>	<u>\$ 78,166</u>	<u>\$ 318,250</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ -</u>
<u>Analysis of Balance</u>							
Ord. 14-27 (Drainage Improvements)	281,000			281,000			
Ord. 14-20 (Recreation Improvements)	8,080		8,080				
Ord. 14-28 (Senior Ctr Improvements)	93,116	93,116					
Ord. 15-12 (Imprvt of Blvd - Hoffman)	37,250			37,250			
Ord. 15-16 (Rehab of Basketball Courts)	7,832		7,832				
Ord. 15-17 (Imprvt to Berkley St)	92,500	92,500					
Ord. 16-30 Berkley School Field Rehab. Project	102,254	-	62,254	-	-	40,000	-
	<u>\$ 622,032</u>	<u>\$ 185,616</u>	<u>\$ 78,166</u>	<u>\$ 318,250</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ -</u>
<u>Analysis of Canceled:</u>							
Funded by Capital Improvement Fund	\$ 20,992						
Funded by Borough Open Space Trust Fund	29,644						
Unexpended Improvement Authorizations	109,742						
Reserve for Grants Receivable	113						
	<u>\$ 160,491</u>						

**BOROUGH OF NEW MILFORD
STATEMENT OF RESERVE FOR PAYMENT OF DEBT**

Balance, January 1, 2016	\$	97,947
Decreased by:		
Payment of Bond Anticipation Note		29,055
Balance, December 31, 2016	\$	68,892

STATEMENT OF RESERVE FOR GRANTS RECEIVABLE

Balance, January 1, 2016	\$	374,229
Decreased by:		
Cancellations		
Community Development Block Grant - Ord. 12-07		113
Balance, December 31, 2016	\$	374,116

Analysis of Balance

Department of Transportation - Ord. 14-27	\$	281,000
Community Development Block Grant - Ord. 14-28		93,116
	\$	374,116

**BOROUGH OF NEW MILFORD
STATEMENT OF EIT LOANS PAYABLE**

Balance, January 1, 2016		\$ 740,642
Decreased by:		
Paid by Budget Appropriation	\$ 56,335	
Paid by NJEIT Refunding Savings	<u>104,000</u>	
		<u>160,335</u>
Balance, December 31, 2016		<u>\$ 580,307</u>

Analysis of Balance

Fund Loan		\$ 214,307
Trust Loan		<u>366,000</u>
		<u>\$ 580,307</u>

STATEMENT OF DUE FROM OPEN SPACE TRUST FUND

Increased by:		
Appropriated to Fund Improvement Authorization - Ord 2016-30	\$ 75,000	
Appropriated to Fund Improvement Authorization - Ord 2016-23	<u>29,644</u>	
		<u>\$ 104,644</u>
Decreased by:		
Cash Receipts		<u>104,557</u>
Balance, December 31, 2016		<u>\$ 87</u>

STATEMENT OF RESERVE FOR GREEN ACRES

Balance, January 1, 2016		<u>\$ 46</u>
Balance, December 31, 2016		<u>\$ 46</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF BOND ANTICIPATION NOTES**

<u>Ordinance #</u>	<u>Improvement Description</u>	<u>Original Issue Date</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance January 1, 2016</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance December 31, 2016</u>
12-07	Various Public Improvements	11/4/2015	11/4/2015	5/13/2016	0.93%	\$ 29,055	\$ 29,055		
13-07	Imp of Blvd (Sec. 6) and Monmouth Avenue (Sec. 3)	11/4/2015	11/4/2015 5/13/2016	5/13/2016 5/12/2017	0.93% 1.04%	37,500	\$ 37,500	37,500	\$ 37,500
14-27	Drainage Improvements at Cherry and Chestnut Streets	11/4/2015	11/4/2015 5/13/2016	5/13/2016 5/12/2017	0.93% 1.04%	281,000	281,000	281,000	281,000
14-28	Senior Center Rehabilitation (Phase III), Amend 14-06	11/4/2015	11/4/2015 5/13/2016	5/13/2016 5/12/2017	0.93% 1.04%	92,935	92,935	92,935	92,935
14-06	Various Public Improvements	5/13/2016	5/13/2016	5/12/2017	1.04%		2,000,000		2,000,000
15-22/16-26	Acquisition of New Garbage Trucks and Mason Dump Truck	5/13/2016	5/13/2016	5/12/2017	1.04%		406,000		406,000
						<u>\$ 440,490</u>	<u>\$ 2,817,435</u>	<u>\$ 440,490</u>	<u>\$ 2,817,435</u>
						Renewals \$ 411,435	\$ 411,435		
						Issued for Cash 2,406,000		29,055	
						Paid by Reserve for Payment of Debt	\$ 2,817,435	\$ 440,490	

**BOROUGH OF NEW MILFORD
STATEMENT OF BONDS AND NOTES AUTHORIZED BUT NOT ISSUED**

Ord. No.	Improvement Description	Increased by		Decreased by		Balance, December 31, 2016
		Balance, January 1, 2016	2016 Authorizations	Notes Issued	Cancelled	
	<u>General Improvements</u>					
04-10	Various Improvements	\$ 218,000		\$	118	\$ 218,000
05-14/07-16	Various Public Improvements	118			435	-
08-08	Various Improvements	435				-
09-13	Various Public Improvements	20,259				20,259
12-07	Various Public Improvements	69,005			9,104	59,901
14-06	Various Public Improvements	5,203,000		\$ 2,000,000		3,203,000
15-22/16-26	Acquisition of New Garbage Trucks & Mason Dump Truck	461,900		406,000		55,900
16-10	Various Public Improvements and Acquisitions	-	\$ 738,000			738,000
		<u>\$ 5,972,717</u>	<u>\$ 738,000</u>	<u>\$ 2,406,000</u>	<u>\$ 9,657</u>	<u>\$ 4,295,060</u>

PUBLIC ASSISTANCE FUND

**BOROUGH OF NEW MILFORD
STATEMENT OF PUBLIC ASSISTANCE CASH**

	<u>PATF #1</u>	<u>Total</u>
Balance, January 1, 2016	\$ 13,551	\$ 13,551
Increased by Receipts:		
Donations	2,953	2,953
Interest	<u>14</u>	<u>14</u>
	<u>16,518</u>	<u>16,518</u>
Decreased by Disbursements:		
Non-Reimbursable Public Assistance Payments	<u>81</u>	<u>81</u>
Balance, December 31, 2016	<u>\$ 16,437</u>	<u>\$ 16,437</u>

EXHIBIT D-2

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE FUND

	<u>PATF #1</u>	<u>Total</u>
Balance, January 1, 2016	\$ 13,551	\$ 13,551
Increased by:		
Donations	2,953	2,953
Interest	<u>14</u>	<u>14</u>
	<u>16,518</u>	<u>16,518</u>
Decreased by:		
Non-Reimbursable Public Assistance Payments	<u>81</u>	<u>81</u>
Balance, December 31, 2016	<u>\$ 16,437</u>	<u>\$ 16,437</u>

BOROUGH OF NEW MILFORD



PART II

GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of New Milford, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2017. Our report on the financial statements – regulatory basis was modified to indicate that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the financial reporting requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was modified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of New Milford's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Borough of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of New Milford's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying schedule of findings and responses as item 2016-001.

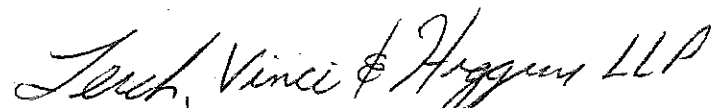
We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of New Milford in Part III of this report of audit entitled; "Letter of Comments and Recommendations".

Borough of New Milford's Responses to Findings

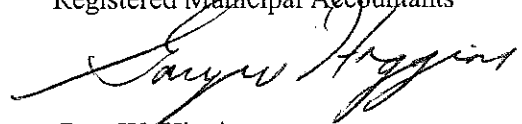
The Borough of New Milford's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Borough of New Milford's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
May 9, 2017

**BOROUGH OF NEW MILFORD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Grant Year	CFDA Number	Grant Award Amount	2016 Grant Receipts	Balance, January 1, 2016	Revenue Realized	Adjustment (1)	Canceled Expenditures	Balance, December 31, 2016	Memo Cumulative Total Expenditures
Department of Housing and Urban Development (Community Development Block Grant)									
2011	14.218	\$ 110,000		\$ 4,464		\$ (4,464)		\$	\$ 110,000
2013		46,000		11,632			\$ 11,632		34,368
2014		93,116		77,566			\$ 77,566		93,116
2015		92,500		92,500			\$ 92,500		92,500
U.S. Department of Transportation (Passed through NJ Dept of Transportation) Division of Highway - Click It or Ticket Division of Highway - Click It or Ticket									
2014	20.616	4,000		246				\$ 246	3,754
2016	20.616	4,000	\$ 4,000		\$ 4,000			4,000	-
U.S. Department of Justice Bulletproof Vest Partnership Program									
2014	16.607	2,497		607		509		1,116	1,381
2015	16.607	799		799				799	
2016	93.044	20,680	20,680		20,680		20,664	16	20,664
U.S. Department of Homeland Security Hazard Mitigation Grant Public Assistance - Storms Floods Public Assistance - Hurricane Sandy Public Assistance - Hurricane Irene									
2014	97.039	38,333		14,044				14,044	24,289
2010	97.036	1,647			1,647		1,647		1,647
2013	97.036	49,420			49,420		49,420		49,420
2012	97.036	407			407		407		407
U.S. Department of Environmental Protection Stormwater Regulation Grant									
2004	66.605	9,022		4,972				4,972	4,050
				<u>\$ 206,830</u>	<u>\$ 76,154</u>	<u>\$ (3,955)</u>	<u>\$ 11,632</u>	<u>\$ 25,193</u>	<u>\$ 242,204</u>

(1) - To adjust balance related to prior year expenditures of \$4,464 and increase available balance by \$509 for prior year encumbrances cancelled.

Note: The above schedule is not subject to a single audit as defined by U.S. Uniform Guidance.

**BOROUGH OF NEW MILFORD
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2016**

State Grant Program	Account Numbers	Grant Year	Grant Award	2016 Grant Receipts	Balance, January 1, 2016	Revenue Realized	Expenditures	Balance, December 31, 2016	Memo Cumulative Total Expenditures
Drunk Driving Enforcement Fund	1110-443-031020-22	2014	\$ 1,936	\$	1,936			\$ 1,767	\$ 169
Alcohol Education and Rehabilitation Program	4250-760-05000-63-260	Prior 2015	914 707		914 707			914 707	
Clean Communities Act	4900-765-178900	2015 2016	30,874 35,296	\$ 35,296	24,694	\$ 35,296	24,694 5,037	30,259	30,874 5,037
Recycling Tonnage Grant	4830-752-030550-30	2014 2015	24,034 17,071	17,071	18,301	17,071	18,301 10,805	6,266	24,034 10,805
Body Armor Grant	N/A	2013 2014 2015	4,153 3,368 6,894		1,171 3,368		1,171 3,368 3,251		4,153 3,368 3,251
Department of Transportation (Highway Planning and Construction) Imprvt of Blvd (Hoffman to Reichelt Rd)-Ord 2015-12	6320-480-078-XXXX	2015	149,000	111,750	149,000		111,750	37,250	111,750
Environmental Protection State Recycling Grants - 5 Year Program	2016-042-4900-752-001	2016	5,000	5,000		5,000	5,000		5,000
Municipal Alliance and Drug Abuse	N/A	2015	11,677	6,695		11,677	6,720	4,957	6,720
N/A - Not Available					\$ 200,091	\$ 75,938	\$ 190,266	\$ 85,763	

Note: The above schedule is not subject to a single audit as defined by NJ OMB Circular 15-08.

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**BOROUGH OF NEW MILFORD
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2016**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance revenues are reported in the Borough's financial statements on a basis of accounting described above as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 76,154	\$ 75,938	\$ 152,092
Total Financial Awards	<u>\$ 76,154</u>	<u>\$ 75,938</u>	<u>\$ 152,092</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the Borough's fiscal year and grant program year.

**BOROUGH OF NEW MILFORD
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2016**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2016, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

<u>Loan Program</u>	<u>State</u>
New Jersey Environmental Infrastructure Trust	
Fund Loan	\$ 214,307
Trust Loan	<u>366,000</u>
	<u>\$ 580,307</u>

**BOROUGH OF NEW MILFORD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Part I – Summary of Auditor's Results

Financial Statement Section

- A) Type of auditor's report issued: Modified-Unaudited LOSAP Trust Fund
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? X yes no
- 2) Were significant deficiency(s) identified that were not considered to be material weaknesses? yes X none reported
- C) Noncompliance material to general purpose financial statements noted? X yes no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

BOROUGH OF NEW MILFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

Part 2 – Schedule of Financial Statement Findings

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

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.

Criteria or specific requirement:

N.J.A.C. 5:30-5.7 General Ledger Accounting Systems – Subsidiary Ledgers.
N.J.S.A. 40A:5-15 Deposits of funds paid to the local unit.

Condition:

See Finding 2016-001.

Context:

- The comparison of a summary of program fees collected, prepared by the Borough, to actual bank deposits for the Recreation Commission indicates fees collected exceeded actual deposits by \$92,640 as of December 31, 2016.
- Various checks for 2016 Spring and Summer programs were deposited in December 2016.

Effect:

Certain Recreation Commission program fees collected were not deposited in Borough bank accounts, resulting in a revenue shortage.

Cause:

Unknown.

Recommendation:

Internal controls be implemented in the Recreation Commission to ensure all program fees are recorded in a cash receipts ledger and deposited timely. Additionally, efforts be made to recover program fees not deposited.

Management's Response:

Management will review internal controls relating to the implementation of a detailed cash receipt ledger and timely deposit of all moneys collected in the Recreation Commission, and is contemplating the restructuring of the Commission form of organization. Management has commenced efforts at recovery of funds including claims with the Joint Insurance Fund.

**BOROUGH OF NEW MILFORD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

There were none.

BOROUGH OF NEW MILFORD

BERGEN COUNTY

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2016

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

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

	<u>Year 2016</u>		<u>Year 2015</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 1,356,000	2.33% %	\$ 717,000	1.28% %
Miscellaneous - From Other Than Local				
Property Tax Levies	3,179,345	5.46%	3,016,844	5.38%
Collection of Delinquent Taxes and Tax Title Liens	437,321	0.75%	409,622	0.73%
Collection of Current Tax Levy	52,059,708	89.36%	50,831,644	90.60%
Other Credits	<u>1,225,080</u>	<u>2.10%</u>	<u>1,129,852</u>	<u>2.01%</u>
Total Income	<u>58,257,454</u>	<u>100.00%</u> %	<u>56,104,962</u>	<u>100.00%</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	20,137,728	35.73%	19,314,494	35.60% %
County Taxes	4,518,765	8.02%	4,283,246	7.90%
Local School Taxes	31,524,204	55.93%	30,523,832	56.27%
Municipal Open Space Taxes	79,162	0.14%	78,793	0.15%
Other Expenditures	<u>102,568</u>	<u>0.18%</u>	<u>43,647</u>	<u>0.08%</u>
Total Expenditures	56,362,427	<u>100.00%</u> %	54,244,012	<u>100.00%</u> %
Less: Expenditures to be Raised by Future Revenue	<u>50,000</u>		<u>17,500</u>	
Total Adjusted Expenditures	<u>56,312,427</u>		<u>54,226,512</u>	
Excess in Revenue	1,945,027		1,878,450	
Fund Balance, January 1	<u>3,261,178</u>		<u>2,099,728</u>	
	5,206,205		3,978,178	
Less Utilization as Anticipated Revenue	<u>1,356,000</u>		<u>717,000</u>	
Fund Balance, December 31	<u>\$ 3,850,205</u>		<u>\$ 3,261,178</u>	

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Tax Rate</u>	<u>\$3.322</u>	<u>\$3.255</u>	<u>\$3.158</u>

Apportionment of Tax Rate

Municipal	1.034	1.034	1.014
Municipal Open Space Tax	.005	.005	.005
Local School	1.997	1.944	1.880
County (Includes County Open Space Tax)	.286	.272	.259

Assessed Valuation Basis

2016	<u>\$1,579,347,551</u>		
2015		<u>\$1,570,433,135</u>	
2014			<u>\$1,570,583,781</u>

Comparison Of Tax Levies And Current Collections

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2016	\$ 52,594,859	\$ 52,079,708	99.02%
2015	51,293,780	50,831,644	99.10%
2014	49,699,673	49,200,779	99.00%

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>December 31 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>
2016	\$ 17,552	\$ 484,097	\$ 501,649	0.95%
2015	15,585	443,839	459,424	0.90%
2014	14,283	414,085	428,368	0.86%

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

Property Acquired By Tax Title Lien Foreclosure

No properties have been acquired in 2016 by foreclosure or deed, as a result of liquidation of tax title liens.

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

<u>Year</u>	<u>Amount</u>
2016	\$-0-
2015	-0-
2014	-0-

Comparative Schedule Of Fund Balance

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	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
	2012	917,603	556,227

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>
Ann Subrizi	Mayor
Dominic Colucci	Council President
Diego Robalino	Councilman
Hedy Grant	Councilwoman
Thea Sirocchi-Hurley	Councilwoman
Jose Alonso	Councilman
Ulises Cabrera	Councilman (Jan 2016-August 2016)
Gerard Ix	Councilman (August 2016-November 2016)
Ira Grotsky	Councilwoman (November 2016-Present)
Diana McLeod-Lindner	Chief Financial Officer
Christine Demiris	Borough Administrator/Clerk
Denise Amoroso	Tax Collector/Assistant Treasurer
Anne Melikian	Deputy Tax Collector (Jan 2016-April 2016)
James Taormina	Construction Official
Alan Silverman	Fire Subcode Official & Fire Chief
Maria Sapuppo	Zoning Official (Jan 2016-February 2016)
Elsbeth J. Crusius	Municipal Prosecutor
Mark Fierro	Alternate Municipal Prosecutor
Susan Armbruster-Stucke	Municipal Court Administrator
Kevin P. Kelly	Municipal Court Judge
Patrick Wilkins	Tax Assessor
Frank Ramaci	Chief of Police
Vince Cahill	Superintendent of Department of Public Works & Zoning Official (February 2016-Present)
John Bigger	Recreation Director
Irene Maury	Social Services Director

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

All employees including 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
SUPPORTING DATA**

GENERAL COMMENTS

Current Year

The audit of the Municipal Court indicated there were various "Tickets Assigned Not Issued" in excess of six months outstanding at December 31, 2016. Recommendation is not warranted due to tickets being recalled as of the date of this report.

Prior Year Unresolved

The audit of the Municipal Court revealed the following:

- There are old outstanding reconciling items in the regular court and bail accounts.
- The bail on account ledgers exceed the reconciled cash balance at December 31, 2016.

It is recommended that reconciling items on the Municipal Court bank accounts be reviewed and cleared of record and the account shortfall in the bail account be remediated.

Contracts and Agreements Required To Be Advertised For N.J.S. 40a:11-4

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000, except by contract or agreement".

If the Borough's purchasing agent is qualified pursuant to subsection b. of Section 9 of P.L. 1971, c.198 (C.40A:11-9), the Borough may establish the bid threshold up to a maximum of \$40,000. The Borough, by resolution, has increased the bid threshold to \$40,000 on June 13, 2016.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$40,000 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

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

- Purchase of two (2) 2016 trucks with a 29 yard rear land packer body
- Sanitary Sewer Improvements
- Improvements to the Boulevard (Section 7) and Berkley Street
- 2016 Road Paving Program
- Rehabilitation of the Basketball Courts at Prospect Park
- Senior Center Rehabilitation Phase III
- New Police Headquarters

The minutes indicate that resolutions were adopted and advertised authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S. 40A:11-5. Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishings or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

GENERAL COMMENTS (Continued)

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 4, 2016, adopted the following resolution authorizing interest to be charged on delinquent taxes:

"BE IT RESOLVED, by the Mayor and Council of the Borough of New Milford, that pursuant to Title 54:4-67 of the Revised Statutes of New Jersey, the Mayor and Council hereby fixed the rate of interest to be charged for the non-payment of taxes and assessments on or before the date when the same would become delinquent at the rate not to exceed 8% per annum on the first \$1,500 of the delinquency, and 18% per annum of any amount in excess of \$1,500 with the interest for 30 days after the due date at the daily rate of .0000021%.

BE IT FURTHER RESOLVED, that after the 10 day grace period, interest reverts back to the due date at the rate of 8% on the first \$1,500, etc.

It appears from our examination 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 December 2, 2016 and was complete.

Inspection of tax sale certificates revealed that all tax sale certificates were available for audit.

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>
2016	4
2015	3
2013	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 tax-paying basis.

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

RECOMMENDATIONS

It is recommended that:

- * 1. Internal controls be implemented in the Recreation Commission to ensure all program fees are recorded in a cash receipts ledger and deposited timely. Additionally, efforts be made to recover program fees not deposited.
- * 2. Reconciling items on the Municipal Court bank accounts be reviewed and cleared of record and the account shortfall in the bail account be remediated.

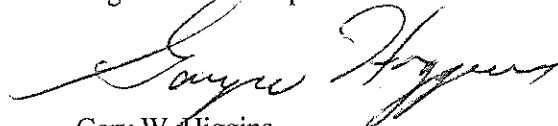
Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior year's recommendations and corrective action was taken on all except those denoted above with an asterisk.

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, please do not hesitate to contact us.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405