

BOROUGH OF NEW MILFORD
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2015

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, 2015



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, 2015, and the related statements of operations and changes in fund balance - regulatory basis, statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the Current Fund for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial accounting and reporting principles 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. 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 audit. We conducted our audit 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 of material misstatement.

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

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

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of New Milford on the basis of the financial accounting and reporting principles 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, 2015, or changes in financial position, for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 17 of the financial statements, the financial statements – regulatory basis of the Length of Service Awards Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the year ended December 31, 2015. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 49 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 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, 2015, and the results of operations and changes in fund balance – regulatory basis and the respective revenues – regulatory basis and expenditures – regulatory basis of the Current Fund for the year then ended in accordance with the financial accounting and reporting principles 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

Prior Year’s Financial Statements Audited by Other Auditors

The financial statements of the Borough of New Milford as of and for the year ended December 31, 2014 were audited by other auditors whose report dated June 19, 2015 expressed an adverse opinion on the financial statements because they were not prepared in accordance with accounting principles generally accepted in the United States of America but rather the regulatory basis of accounting, 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. Their report also expressed modified opinion on those financial statements – regulatory basis prepared in accordance with the regulatory basis of accounting.

Other Information

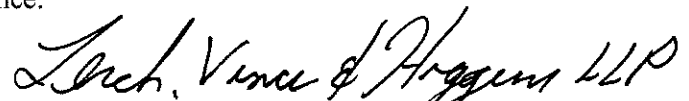
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of New Milford as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, schedule of expenditures of state financial assistance and the supplementary 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 expenditure 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.

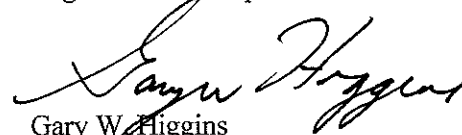
The supplementary data and letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 25, 2016 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 25, 2016

BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash	A-4	\$ 5,231,699	\$ 4,128,811
Cash - Change Funds	A-6	450	450
Due from State of New Jersey			
Veterans' and Senior Citizens' Deductions	A-8	21,591	18,398
Grants Receivable	A-16	<u>21,838</u>	<u>51,425</u>
		<u>5,275,578</u>	<u>4,199,084</u>
Receivables and Other Assets With Full Reserves			
Taxes Receivable	A-9	443,839	414,085
Tax Title Liens Receivable	A-10	15,585	14,283
Revenue Accounts Receivable	A-11	13,419	12,747
Accounts Receivable	A-14	144,119	175,894
Due from Other Trust Fund	B-6	274	8,032
Due from General Capital Fund	C-4	-	2,070
Due from Animal Control Trust Fund	B-8	<u>1,328</u>	<u>3,396</u>
		<u>618,564</u>	<u>630,507</u>
Deferred Charges			
Emergency Authorizations	A-12	<u>17,500</u>	<u>-</u>
Total Assets		<u>\$ 5,911,642</u>	<u>\$ 4,829,591</u>

BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-15	\$ 1,385,263	\$ 1,233,529
Encumbrances Payable	A-18	330,012	535,075
Due to General Capital Fund	C-4	11,178	
Due to Open Space Trust Fund	A-21	272	161
Prepaid Taxes	A-13	206,792	224,238
Tax Overpayments	A-19	1,209	2,601
Reserve for Grants and Aid - Unappropriated	A-23	6,894	29,338
Reserve for Grants and Aid - Appropriated	A-24	72,159	62,398
County Taxes Payable	A-22	14,682	8,308
Fees Payable	A-17	<u>3,439</u>	<u>3,708</u>
		2,031,900	2,099,356
Reserve for Receivables	A	618,564	630,507
Fund Balance	A-1	<u>3,261,178</u>	<u>2,099,728</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 5,911,642</u>	<u>\$ 4,829,591</u>

BOROUGH OF NEW MILFORD
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
REVENUE AND OTHER CREDITS TO INCOME			
Fund Balance Utilized	A-2	\$ 717,000	\$ 717,000
Miscellaneous Revenue Anticipated	A-2	2,569,674	2,683,578
Receipts from Delinquent Taxes	A-2	409,622	423,267
Receipts from Current Taxes	A-2	50,831,644	49,200,779
Non-Budget Revenue	A-2	447,170	121,269
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-15	1,086,181	1,199,666
Interfunds and Other Accounts Receivable Returned	A	<u>43,671</u>	<u>19,821</u>
 Total Income		 <u>56,104,962</u>	 <u>54,365,380</u>
 EXPENDITURES AND OTHER DEBITS			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	7,663,262	7,488,742
Other Expenses	A-3	8,524,516	8,472,346
Capital Improvements	A-3	185,900	274,000
Debt Service	A-3	1,144,826	1,105,010
Deferred Charges and Statutory Expenditures	A-3	1,795,990	1,670,553
Local District School Tax	A-20	30,523,832	29,530,523
County Taxes	A-22	4,224,061	4,005,681
Due County for Added and Omitted Taxes	A-22	14,682	8,308
County Open Space Taxes	A-22	44,503	43,408
Municipal Open Space Taxes	A-21	78,521	78,529
Added Taxes - Municipal Open Space Taxes	A-21	272	161
Other Debits			
Refund of Prior Year Revenues	A-4	43,647	539
Interfunds Created	A	<u>-</u>	<u>178,196</u>
 Total Expenditures		 <u>54,244,012</u>	 <u>52,855,996</u>
 Excess in Revenue		 1,860,950	 1,509,384

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, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
Excess in Revenue (Carried Forward)	A-1	\$ 1,860,950	\$ 1,509,384
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget			
of Succeeding Year	A-12	<u>17,500</u>	<u>-</u>
Statutory Excess to Fund Balance		1,878,450	1,509,384
Fund Balance, January 1	A	<u>2,099,728</u>	<u>1,307,344</u>
		3,978,178	2,816,728
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>717,000</u>	<u>717,000</u>
Fund Balance, December 31	A	<u>\$ 3,261,178</u>	<u>\$ 2,099,728</u>

BOROUGH OF NEW MILFORD
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Reference</u>	<u>Anticipated Budget</u>	<u>Added by NJS 40A:4-87</u>	<u>Realized in 2015</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 717,000	-	\$ 717,000	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-11	14,000		16,880	\$ 2,880
Other	A-11	15,000		48,497	33,497
Fees and Permits					
Other	A-2	2,700		3,065	365
Fines and Costs - Municipal Court	A-11	160,000		150,632	(9,368)
Interest and Costs on Taxes	A-11	100,000		92,731	(7,269)
Interest on Investments and Deposits	A-2	4,500		4,001	(499)
Fire Safety Act Fees	A-11	9,000		9,694	694
Recreation Fees	A-11	37,000		34,335	(2,665)
Energy Receipts Tax	A-11	1,615,078		1,615,078	
Uniform Construction Code Fees	A-11	150,000		168,470	18,470
State and Federal Revenues Offset					
With Appropriations					
Reserve for Recycling Tonnage Grant	A-23	24,034		24,034	
Reserve for Drunk Driving Enforcement Fund	A-23	1,936		1,936	
Body Armor	A-16	799		799	
Alcohol Education and Rehabilitation	A-16		\$ 707	707	
Drive Sober/Get Pulled Over	A-16	3,100		3,100	
Reserve for Body Armor Replacement	A-23	3,368		3,368	
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		30,874	30,874	
Other Special Items:					
Cable TV Franchise Fees	A-11	216,502		227,772	11,270
Life Hazard Use Fees	A-11	8,800		8,895	95
Recycling Revenue	A-11	25,000		32,194	7,194
Cell Tower Rent -Gaelic Communications	A-11	66,115	-	67,932	1,817
	A-1	<u>2,477,612</u>	<u>35,581</u>	<u>2,569,674</u>	<u>56,481</u>
Receipts from Delinquent Taxes	A-9	<u>400,000</u>	-	<u>409,622</u>	<u>9,622</u>
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for					
Municipal Purposes	A-2	15,640,408		15,913,205	272,797
Minimum Library Tax	A-2	592,568	-	592,568	-
		<u>16,232,976</u>	<u>-</u>	<u>16,505,773</u>	<u>272,797</u>
Budget Totals		<u>\$ 19,827,588</u>	<u>\$ 35,581</u>	20,202,069	<u>\$ 338,900</u>
Non-Budget Revenue	A-2			<u>447,170</u>	
				<u>\$ 20,649,239</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, 2015

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-9	\$ 50,831,644
Allocated to School, County and Municipal Open Space Taxes	A-20,A-21,A-22	<u>34,885,871</u>
		15,945,773
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>560,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 16,505,773</u>
Fees and Permits - Other		
Search Companies	A-11	\$ 185
Gun Permits	A-11	505
Photostats	A-11	2,016
Fingerprints	A-11	280
Duplicate Tax Bills	A-11	<u>79</u>
	A-2	<u>\$ 3,065</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-11	\$ 2,895
Due from Animal Control Trust Fund	B-8	10
Due from Other Trust Fund	B-6	274
Due from General Capital Fund	C-4	<u>822</u>
	A-2	<u>\$ 4,001</u>
<u>Reference</u>		
Analysis of Non-Budget Revenue		
Miscellaneous Receipts		\$ 25,053
NJ Bureau of Housing		7,632
Administrative Fees - Off Duty Police		394,613
Environmental Energy Grant		800
Prior Year Voided Checks		1,205
Mid Bergen Rent		750
FEMA Reimbursement		13,564
Statutory Excess-Animal Control Fund		1,318
Administrative Fee- Seniors and Veterans		<u>2,235</u>
	A-2	<u>\$ 447,170</u>
<u>Reference</u>		
Cash Receipts	A-4	\$ 445,852
Amount Due from Animal Control Trust Fund	B-8	<u>1,318</u>
	A-2	<u>\$ 447,170</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2015 Appropriated</u>		<u>2015 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	\$ 40,800	\$ 41,300	\$ 41,271	\$ 29	
Mayor and Council					
Salaries and Wages	14,500	14,500	14,250	250	
Other Expenses	7,500	7,500	7,500	-	
Municipal Clerk					
Salaries and Wages	217,000	217,000	213,282	3,718	
Other Expenses	155,000	167,000	163,327	3,673	
Financial Administration					
Other Expenses	40,000	45,000	39,872	5,128	
Audit Services					
Other Expenses	37,500	37,500	34,000	3,500	
Collection of Taxes					
Salaries and Wages	183,078	183,078	180,042	3,036	
Other Expenses	26,200	26,200	22,111	4,089	
Assessment of Taxes					
Salaries and Wages	54,170	55,020	54,514	506	
Other Expenses	14,645	14,645	9,235	5,410	
Legal Services and Costs					
Legal Serv & Costs	150,000	161,000	159,136	1,864	
Engineering Services and Costs					
Other Expenses	10,000	19,300	18,459	841	
LAND USE ADMINISTRATION					
Planning Board					
Salaries and Wages	6,200	6,200	420	5,780	
Other Expenses	15,800	15,800	8,026	7,774	
Zoning Board of Adjustment					
Salaries and Wages	1,260	1,260	758	502	
Other Expenses	10,810	10,810	5,152	5,658	
INSURANCE					
Liability	62,800	62,800	41,631	21,169	
Liability - Bergen Joint Insurance Fund	303,023	303,023	225,937	77,086	
Workers Compensation -BJIF	331,705	331,705	228,864	102,841	
Employee Group Insurance	1,970,000	1,963,900	1,704,839	259,061	
Health Benefit Waiver	22,500	24,800	24,771	29	
PUBLIC SAFETY					
Police					
Salaries and Wages	4,776,120	4,776,120	4,507,353	268,767	
Other Expenses	300,416	310,416	290,059	20,357	
Fire					
Salaries and Wages	2,900	2,900	2,050	850	
Other Expenses	111,750	111,750	98,803	12,947	
First Aid					
First Aid Organization	26,000				
Holy Name Hospital	10,200	36,250	36,200	50	

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>2015 Appropriated</u>		<u>2015 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	\$ 16,100	\$ 16,100	\$ 15,794	\$ 306	
Other Expenses	2,200	2,200	2,153	47	
Emergency Management Services					
Salaries and Wages	4,750	4,750	4,750	-	
Other Expenses	17,170	17,170	16,015	1,155	
PUBLIC WORKS					
Road Repairs and Maintenance					
Salaries and Wages	1,578,490	1,578,490	1,526,778	51,712	
Other Expenses	275,000	275,000	237,580	37,420	
Garbage and Trash Removal					
Other Expenses	849,600	849,600	722,730	126,870	
Recycling					
Salaries and Wages	46,176	46,176	39,382	6,794	
Other Expenses	328,500	328,500	297,803	30,697	
Public Buildings and Grounds					
Salaries and Wages	91,888	91,888	85,690	6,198	
Other Expenses	91,060	91,060	88,253	2,807	
Vehicle Maintenance					
Other Expenses	40,000	57,500	49,371	8,129	
HEALTH & HUMAN SERVICES					
Board of Health					
Salaries and Wages	118,235	123,235	122,874	361	
Other Expenses	80,074	80,074	66,904	13,170	
Environmental Committee					
Salaries and Wages	770	770	630	140	
Other Expenses	1,035	1,035	415	620	
Animal Control Services					
Other Expenses	20,500	20,500	13,104	7,396	
PARK AND RECREATION					
Recreation Services and Programs					
Salaries and Wages	77,730	90,730	90,724	6	
Other Expenses	110,000	110,000	107,089	2,911	
Historical Commission					
Other Expenses	1,000	1,000	850	150	
Shade Tree Committee					
Other Expenses	7,500	7,500	480	7,020	
Senior Citizens' Program					
Salaries and Wages	131,200	149,200	147,612	1,588	
Other Expenses	28,022	28,022	19,297	8,725	
Beautification Committee					
Other Expenses	500	500	500	-	

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>2015 Appropriated</u>		<u>2015 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	\$ 134,842	\$ 134,842	\$ 129,976	\$ 4,866	
Other Expenses	11,250	11,250	8,156	3,094	
Rent Leveling Board					
Salaries and Wages	600	650	620	30	
Other Expenses	4,800	4,800	4,387	413	
UTILITY EXPENSES AND BULK PURCHASES					
Utilities					
Electricity	144,000	173,050	164,812	8,238	
Street Lighting	145,000	135,000	94,213	40,787	
Telephone	63,000	63,000	47,399	15,601	
Water	260,000	260,000	234,487	25,513	
Gas and Oil	150,000	125,000	74,339	50,661	
Salary and Wage Adjustment	75,000				
OTHER COMMON OPERATING FUNCTIONS (UNCLASSIFIED)					
Celebration of Events					
Other Expenses	6,464	6,464	6,063	401	
Municipal Court					
Salaries and Wages	135,263	135,263	134,322	941	
Other Expenses	12,000	12,000	7,396	4,604	
Public Defender (P.L. 1977, C. 256)					
Salaries and Wages	6,000	6,000	4,000	2,000	-
Total Operations Within "CAPS"	<u>13,967,596</u>	<u>13,985,096</u>	<u>12,698,810</u>	<u>1,286,286</u>	<u>-</u>
Detail:					
Salaries and Wages	7,788,072	7,663,262	7,311,164	352,098	-
Other Expenses	6,179,524	6,321,834	5,387,646	934,188	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Statutory Charges					
Social Security System (O.A.S.I.)	350,000	350,000	343,123	6,877	
Unemployment	32,000	32,000	32,000	-	
Public Employees Retirement System	375,405	375,405	375,404	1	
Police and Fireman's Retirement System	933,531	933,531	933,531	-	
Defined Contribution Retirement Program	7,000	7,000	7,000	-	-
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,697,936</u>	<u>1,697,936</u>	<u>1,691,058</u>	<u>6,878</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>15,665,532</u>	<u>15,683,032</u>	<u>14,389,868</u>	<u>1,293,164</u>	<u>-</u>

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>2015 Appropriated</u>		<u>2015 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	\$ 919,697	\$ 919,697	\$ 919,697		
Service Charges-Debt Service	396,643	396,643	396,642	\$ 1	
EDUCATIONAL FUNCTIONS					
Maintenance of Free Public Library (Ch. 82, 541 P.L. 85)	721,844	721,844	704,746	17,098	
LOSAP	75,000	75,000	-	75,000	-
Total Other Operations Excluded from "CAPS"	<u>2,113,184</u>	<u>2,113,184</u>	<u>2,021,085</u>	<u>92,099</u>	<u>-</u>
Public and Private Programs Offset by Revenues					
Body Armor Replacement Program	3,368	3,368	3,368		
Recycling Tonnage Grant	24,034	24,034	24,034		
Body Armor	799	799	799		
Drunk Driving Enforcement Fund	1,936	1,936	1,936		
Drive Sober/ Get Pulled Over	3,100	3,100	3,100		
Alcohol Ed. & Rehab		707	707		
Click It Or Ticket		4,000	4,000		
Clean Communities Program		30,874	30,874		
Title III	20,680	20,680	20,680	-	-
Total Public and Private Programs Offset by Revenues	<u>53,917</u>	<u>89,498</u>	<u>89,498</u>	<u>-</u>	<u>-</u>
Total Operations Excluded from "CAPS"	<u>2,167,101</u>	<u>2,202,682</u>	<u>2,110,583</u>	<u>92,099</u>	<u>-</u>
Detail:					
Other Expenses	<u>2,167,101</u>	<u>2,202,682</u>	<u>2,110,583</u>	<u>92,099</u>	<u>-</u>
CAPITAL IMPROVEMENTS					
Capital Improvement Fund	185,900	185,900	185,900	-	-
Total Capital Improvements	<u>185,900</u>	<u>185,900</u>	<u>185,900</u>	<u>-</u>	<u>-</u>
MUNICIPAL DEBT SERVICE					
Payment of Bond Principal	790,000	790,000	790,000		
Payment of Bond Anticipation & Capital Notes	177,500	177,500	177,437		\$ 63
Interest on Notes	57,000	57,000	53,420		3,580
Interest on Bonds	89,370	89,370	89,369		1
New Jersey EIT Loan-Principal and Interest	37,085	37,085	34,600	-	2,485
Total Municipal Debt Service	<u>1,150,955</u>	<u>1,150,955</u>	<u>1,144,826</u>	<u>-</u>	<u>6,129</u>
DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Deferred Charges to Future Taxation Unfunded -Various Ordinances	98,100	98,100	98,054	-	46
Total Deferred Charges - Municipal Excluded from "CAPS"	<u>98,100</u>	<u>98,100</u>	<u>98,054</u>	<u>-</u>	<u>46</u>

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>2015 Appropriated</u>		<u>2015 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"	\$ 3,602,056	\$ 3,637,637	\$ 3,539,363	\$ 92,099	\$ 6,175
Subtotal General Appropriations	19,267,588	19,320,669	17,929,231	1,385,263	6,175
Reserve for Uncollected Taxes	<u>560,000</u>	<u>560,000</u>	<u>560,000</u>	-	-
Total General Appropriations	<u>\$ 19,827,588</u>	<u>\$ 19,880,669</u>	<u>\$ 18,489,231</u>	<u>\$ 1,385,263</u>	<u>\$ 6,175</u>
Reference	A-2		A		

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

	<u>Reference</u>	Budget After <u>Modification</u>	<u>Paid or Charged</u>
Budget as Adopted	A-2	\$ 19,827,588	
Added by N.J.S. 40A:4-87	A-2	35,581	
Added by Emergency Authorizations	A-12	<u>17,500</u>	
		<u>\$ 19,880,669</u>	
Cash Disbursed	A-4		\$ 17,492,195
Reserve for Uncollected Taxes	A-2		560,000
Transfer to Appropriated Grant Reserve	A-24		89,498
Due to General Capital Fund	C-4		28,100
Encumbrances Payable	A-18		<u>319,438</u>
			<u>\$ 18,489,231</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Animal Control Trust Fund			
Cash	B-3	\$ 14,613	\$ 17,092
Due from State of New Jersey	B-5	<u> -</u>	<u> 1</u>
		<u>14,613</u>	<u>17,093</u>
Other Trust Fund			
Cash	B-3	<u>678,832</u>	<u>784,987</u>
		<u>678,832</u>	<u>784,987</u>
Unemployment Compensation Insurance Trust Fund			
Cash	B-3	<u>64,398</u>	<u>53,172</u>
Recreation Trust Fund			
Cash	B-3	<u>26,208</u>	<u>11,532</u>
Medical Claims Trust Fund			
Cash	B-3	<u>84,234</u>	<u>66,468</u>
Community Development Block Grant Trust Fund			
Cash	B-3	<u> 8</u>	<u> 8</u>
Open Space Trust Fund			
Cash	B-3	45,286	43,264
Due from Current Fund	B-7	<u> 272</u>	<u> 161</u>
		<u>45,558</u>	<u>43,425</u>
Length of Service Award Program Trust Fund (Unaudited)			
Investments	B	810,874	769,898
Contribution Receivable	B	<u> 50,875</u>	<u> 64,625</u>
		<u>861,749</u>	<u>834,523</u>
Total Assets		<u>\$ 1,775,600</u>	<u>\$ 1,811,208</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
LIABILITIES AND RESERVES			
Animal Control Trust Fund			
Reserve for Animal Control Fund Expenditures	B-4	\$ 13,285	\$ 13,697
Due to Current Fund	B-8	<u>1,328</u>	<u>3,396</u>
		<u>14,613</u>	<u>17,093</u>
Other Trust Fund			
Due to Current Fund	B-6	274	8,032
Miscellaneous Reserves	B-9	<u>678,558</u>	<u>776,955</u>
		<u>678,832</u>	<u>784,987</u>
Unemployment Compensation Insurance Trust Fund			
Reserve for Unemployment Compensation Insurance	B-14	64,223	44,265
Due to the State of New Jersey	B-15	<u>175</u>	<u>8,907</u>
		<u>64,398</u>	<u>53,172</u>
Recreation Trust Fund			
Reserve for Recreation Expenditures	B-10	<u>26,208</u>	<u>11,532</u>
Medical Claims Trust Fund			
Reserve for Medical Claims Expenditures	B-11	<u>84,234</u>	<u>66,468</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			
Reserve for Open Space Expenditures	B-16	<u>45,558</u>	<u>43,425</u>
Length of Service Award Program Trust Fund (Unaudited)			
Reserve for LOSAP	B	<u>861,749</u>	<u>834,523</u>
Total Liabilities and Reserves		<u>\$ 1,775,600</u>	<u>\$ 1,811,208</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Reference	Anticipated (Memo)		2015 Realized	Excess or (Deficit)
		Budget	Budget After Modification		
Amount to be Raised by Taxation	B-16	\$ 78,521	\$ 78,521	\$ 78,793	\$ 272
		<u>\$ 78,521</u>	<u>\$ 78,521</u>	78,793	<u>\$ 272</u>
Non-Budget Revenue	B-16			40	
				<u>\$ 78,833</u>	
Analysis of Non-Budget Revenue					
Interest on Investments and Deposits				<u>\$ 40</u>	

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Reference	Anticipated (Memo)		Expended	
		Budget	Budget After Modification	Paid or Charged	Reserved
Reserve for Future Use	B-16	\$ 78,521	\$ 1,821	\$ -	\$ 1,821
Capital Improvements:					
Down Payments on Improvements		-	76,700	76,700	-
		<u>\$ 78,521</u>	<u>\$ 78,521</u>	<u>\$ 76,700</u>	<u>\$ 1,821</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash	C-2,C-3	\$ 1,447,599	\$ 3,326,517
Deferred Charges to Future Taxation			
Funded	C-5	11,690,642	3,921,977
Unfunded	C-6	6,375,707	13,844,740
Grants and Contributions Receivable	C-12	1,074,442	844,405
Due from Current Fund	C-4	<u>11,178</u>	<u>-</u>
 Total Assets		 <u>\$ 20,599,568</u>	 <u>\$ 21,937,639</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-10	\$ 10,950,000	\$ 3,130,000
Bond Anticipation Notes	C-18	440,490	7,521,604
EIT Loans Payable	C-15	740,642	791,977
Contracts Payable	C-8	882,848	3,517,614
Due to Current Fund	C-4		2,070
Improvement Authorizations			
Funded	C-9	1,434,567	185,971
Unfunded	C-9	5,540,369	6,214,709
Capital Improvement Fund	C-7	22,330	5,030
Reserve for Legislative Grant	C-11	30,000	30,000
Reserve for Payment of Debt	C-13	97,947	97,947
Reserve for Grants Receivable	C-14	374,229	440,671
Reserve for Green Acres	C-17	46	46
Fund Balance	C-1	<u>86,100</u>	<u>-</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 20,599,568</u>	 <u>\$ 21,937,639</u>

There were bonds and notes authorized but not issued on December 31, 2015 and 2014 in the amount of \$5,972,717 and \$6,545,729 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, 2015 AND 2014

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
Balance, January 1	C	\$ -	\$ 30,936
Increased by:			
Premium on Sale of Bonds	C-2	<u>86,100</u>	<u>-</u>
		86,100	30,936
Decreased by:			
Utilized as Budget Revenue	C-1	<u>-</u>	<u>30,936</u>
Balance, December 31	C	<u>\$ 86,100</u>	<u>\$ -</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2015 AND 2014**

	<u>Reference</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Cash	D-1	\$ <u>13,551</u>	\$ <u>12,290</u>
RESERVES			
Reserve for Public Assistance	D-2	\$ <u>13,551</u>	\$ <u>12,290</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
General Fixed Assets:		
Land	\$ 36,878,288	\$ 36,878,288
Buildings and Building Improvements	4,654,387	4,646,000
Machinery and Equipment	<u>4,989,083</u>	<u>4,857,802</u>
Total General Fixed Assets	<u>\$ 46,521,758</u>	<u>\$ 46,382,090</u>
Investment in General Fixed Assets	<u>\$ 46,521,758</u>	<u>\$ 46,382,090</u>

NOTES TO FINANCIAL STATEMENTS

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 AND 2014**

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.

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.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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 who do not meet the requirements for assistance 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, 2014 balances to conform to the December 31, 2015 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.

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

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.

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.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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.

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 as 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.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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 2015 and 2014 the Borough Council increased the original budget by \$53,081 and \$37,643. The 2015 increase was attributable to additional aid allotted of \$35,581 and an emergency authorization of \$17,500. The 2014 increase was funded by additional aid allotted to the Borough. In addition, the governing body approved several budget transfers during 2015 and 2014.

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), 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.

**BOROUGH OF NEW MILFORD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 DEPOSITS AND INVESTMENTS (Continued)

A. Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2015 and 2014, the book value of the Borough's deposits were \$7,606,878 and \$8,444,591 and bank and brokerage firm balances of the Borough's deposits amounted to \$7,754,280 and \$8,444,356, 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>2015</u>	<u>2014</u>
Insured	\$ 7,754,280	\$ 8,444,356

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, 2015 and 2014, 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, 2015 and 2014, the Borough had the following investments:

<u>Investment:</u>	<u>Fair Value</u> <u>(Unaudited)</u>	
	<u>2015</u>	<u>2014</u>
Length of Service Award Program	\$ 810,874	\$ 769,898

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (Continued)

B. Investments (Continued)

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, 2015 and 2014, \$810,874 and \$769,898 of the Borough’s investments was exposed to custodial credit risk as follows:

	Fair Value (Unaudited)	
	2015	2014
Uninsured and Collateralized:		
Collateral held by pledging financial institution's trust department but not in the Borough's name	\$ 810,874	\$ 769,898

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, 2015 and 2014, 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 Trust 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, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
<u>Current</u>		
Property Taxes	\$ 443,839	\$ 414,085
Tax Title Liens	15,585	14,283
	\$ 459,424	\$ 428,368

In 2015 and 2014, the Borough collected \$409,622 and \$423,267 from delinquent taxes, which represented 97% and 100%, respectively of the prior year delinquent taxes receivable balance.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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>2015</u>		<u>2014</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	\$ 1,602	\$ 11,450	\$ 13,498	\$ 161
Trust Funds:				
Animal Control Trust		1,328		3,396
Other Trust		274		8,032
Open Space Trust	272		161	
General Capital Fund	<u>11,178</u>	<u>-</u>	<u>-</u>	<u>2,070</u>
 Total	 <u>\$ 13,052</u>	 <u>\$ 13,052</u>	 <u>\$ 13,659</u>	 <u>\$ 13,659</u>

The above balances are the result of expenditures being paid by one fund on behalf of another fund 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>2015</u>			
Current Fund			
Emergency Authorization	<u>\$ 17,500</u>	<u>\$ 17,500</u>	<u>\$ -</u>

As of December 31, 2014 there were no outstanding deferred charges.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 was appropriated and included as anticipated revenue in the fund's budget for the succeeding year is as follows:

	2015		2014	
	<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	\$ 3,200,249	\$ 1,356,000	\$ 2,029,905	\$ 717,000
Non-Cash Surplus	60,929	-	69,823	-
	<u>\$ 3,261,178</u>	<u>\$ 1,356,000</u>	<u>\$ 2,099,728</u>	<u>\$ 717,000</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, 2015 and 2014.

	<u>Balance December 31, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2015</u>
	2015			
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>
	<u>Balance December 31, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, December 31, 2014</u>
2014				
Land	\$ 36,878,288			\$ 36,878,288
Buildings and Building Improvements	4,646,000			4,646,000
Machinery and Equipment	4,764,468	\$ 367,759	\$ 274,425	4,857,802
	<u>\$ 46,288,756</u>	<u>\$ 367,759</u>	<u>\$ 274,425</u>	<u>\$ 46,382,090</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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>2015</u>	<u>2014</u>
Issued		
General		
Bonds, Notes and Loans	\$ 12,131,132	\$ 11,443,581
Less Funds Temporarily Held to Pay Bonds and Notes	<u>135,447</u>	<u>320,540</u>
Net Debt Issued	11,995,685	11,123,041
Authorized But Not Issued		
General		
Bonds and Notes	<u>5,972,717</u>	<u>6,545,729</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 17,968,402</u>	<u>\$ 17,668,770</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 1.011% and .996% at December 31, 2015 and 2014, respectively.

	<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>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2014</u>			
General Debt	\$ 17,989,310	\$ 320,540	\$ 17,668,770
School Debt	<u>2,600,000</u>	<u>2,600,000</u>	<u>-</u>
Total	<u>\$ 20,589,310</u>	<u>\$ 2,920,540</u>	<u>\$ 17,668,770</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>2015</u>	<u>2014</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	<u>\$ 62,216,677</u> <u>17,968,402</u>	<u>\$ 62,104,397</u> <u>17,668,770</u>
Remaining Borrowing Power	<u>\$ 44,248,275</u>	<u>\$ 44,435,627</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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>2015</u>	<u>2014</u>
\$3,085,000, 2005 General Bonds, due in annual installments of \$445,000 through February 1, 2015, interest at 3.50%		\$ 445,000
\$4,160,000, 2009 General Improvement Bonds, due in annual installments of \$235,000 to \$475,000 through May 1, 2021, interest at 3.00%-3.50%	\$ 2,340,000	2,685,000
\$8,610,000, 2015 General Improvement Bonds, due in annual installments of \$290,000 to \$550,000 through December 1, 2033, interest at 1.00%-3.125%	<u>8,610,000</u>	<u>-</u>
	<u>\$ 10,950,000</u>	<u>\$ 3,130,000</u>

General Intergovernmental Loans Payable

The Borough has entered into 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>2015</u>	<u>2014</u>
\$575,000, 2010 Trust Loan, due in annual installments of \$25,000 to \$45,000 through August 1, 2030, interest at 5.00%	\$ 495,000	\$ 515,000
\$616,250, 2010 Fund Loan, due in annual installments of \$10,445 to \$20,890 through August 1, 2030, no interest	<u>245,642</u>	<u>276,977</u>
	<u>\$ 740,642</u>	<u>\$ 791,977</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 is as follows:

Calendar Year	General		Loans		Total
	Principal	Interest	Principal	Interest	
2016	\$ 710,000	\$ 284,194	\$ 56,335	\$ 24,750	\$ 1,075,279
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	61,335	19,750	1,031,079
2021-2025	3,075,000	838,080	248,967	76,000	4,238,047
2026-2030	2,755,000	491,439	205,000	32,000	3,483,439
2031-2033	1,600,000	97,749	-	-	1,697,749
Total	<u>\$ 10,950,000</u>	<u>\$ 2,686,131</u>	<u>\$ 740,642</u>	<u>\$ 219,250</u>	<u>\$ 14,596,023</u>

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2015 and 2014 were as follows:

	Balance, December 31, <u>2014</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>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

A. Long-Term Debt (Continued)

Changes in Long-Term Municipal Debt (Continued)

	Balance, December 31, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>					
General Capital Fund					
Bonds Payable	\$ 3,875,000		\$ 745,000	\$ 3,130,000	\$ 790,000
Intergovernmental Loans Payable	<u>843,312</u>	<u>-</u>	<u>51,335</u>	<u>791,977</u>	<u>51,335</u>
 General Capital Fund Long-Term Liabilities	 <u>\$ 4,718,312</u>	 <u>\$ -</u>	 <u>\$ 796,335</u>	 <u>\$ 3,921,977</u>	 <u>\$ 841,335</u>

B. Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2015 and 2014 was as follows:

Bond Anticipation Notes

<u>Purpose</u>	Rate (%)	Maturity Date	Balance, December 31, <u>2014</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	

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

2015 (Continued)

<u>Purpose</u>	<u>Rate</u> (%)	<u>Maturity</u> <u>Date</u>	<u>Balance,</u> <u>December 31,</u> <u>2014</u>	<u>Renewed/</u> <u>Issued</u>	<u>Retired/</u> <u>Redeemed</u>	<u>Balance,</u> <u>December 31,</u> <u>2015</u>
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	
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	-
Total Bond Anticipation Notes Payable			\$ 7,521,604	\$ 8,469,980	\$ 15,551,094	\$ 440,490

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 9 MUNICIPAL DEBT (Continued)

B. Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

<u>Purpose</u>	<u>Rate</u> (%)	<u>Maturity</u> <u>Date</u>	Balance, December 31, 2013	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2014
2014						
<u>General Capital Fund</u>						
Improvements to Boulevard, Sec. 5	0.43%	4/17/2015	\$ 21,406	\$ 11,149	\$ 21,406	\$ 11,149
Various Public Improvements	0.43%	4/17/2015	6,626,129	6,405,293	6,626,129	6,405,293
Sanitary Sewer Rehabilitation	0.43%	4/17/2015	25,246	23,619	25,246	23,619
Various Public Improvements/Additional Machinery & Equipment	0.43%	4/17/2015	465,314	450,588	465,314	450,588
Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	0.43%	4/17/2015	580,072	565,144	580,072	565,144
Improvements to Center Street	0.43%	4/17/2015	182,579	42,826	182,579	42,826
River Road Streetscape Improvement Project, Phase IV	0.43%	4/17/2015	79,254	22,985	79,254	22,985
Total Bond Anticipation Notes Payable			<u>\$ 7,980,000</u>	<u>\$ 7,521,604</u>	<u>\$ 7,980,000</u>	<u>\$ 7,521,604</u>

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

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

**BOROUGH OF NEW MILFORD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

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>2015</u>		
Road Improvement Program	\$311,990	2016
Recreation Field Improvements	86,200	2016
Renovations to Fire Station #1 & #2	97,581	2016
<u>2014</u>		
Renovations to Fire Station #1 & #2	922,119	2016
Flood Control Project	1,463,450	2015
Babe Ruth & Kennedy Field Improvements	87,809	2015
Improvements to Various Streets	76,138	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 \$2,587,144 and \$2,739,529 at December 31, 2015 and 2014, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

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, 2015 and 2014 is \$466,334 and \$500,650, respectively.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 11 OTHER LONG-TERM LIABILITIES (Continued)

B. Deferred Pension Obligation (Continued)

Changes in Other Long-Term Liabilities

Under the regulatory basis of accounting, certain other long-term liabilities which may be considered material to the financial statements are not reported either as an expenditure or a liability. However, under the regulatory basis of accounting, these other long-term liabilities and related information are required to be disclosed in the footnotes 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, 2015 and 2014 were as follows:

	Balance December 31, <u>2014</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>	
	Balance December 31, <u>2013</u>	Prior Period <u>Adjustment (A)</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2014</u>	Due Within <u>One Year</u>
<u>2014</u>						
Compensated Absences	\$ 2,881,300			\$ 141,771	\$ 2,739,529	
Deferred Pension Obligation	531,029		\$ 38,492	68,871	500,650	\$ 70,288
Net Pension Liability - PERS		7,558,634		376,577	7,182,057	
Net Pension Liability - PFRS	<u>-</u>	<u>15,199,065</u>	<u>113,657</u>	<u>933,531</u>	<u>14,379,191</u>	<u>-</u>
Total Other Long-Term Liabilities	<u>\$ 3,412,329</u>	<u>\$ 22,757,699</u>	<u>\$ 152,149</u>	<u>\$ 1,520,750</u>	<u>\$ 24,801,427</u>	<u>\$ 70,288</u>

(A) Represents the proportionate share of the Borough's net pension liability of the state sponsored employer retirement systems resulting from the requirements of Governmental Accounting Standards Board's Statement No. 68 "Accounting and Financial Reporting for Pensions".

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.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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.

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.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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/treasury/doinvest.

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, which was rolled forward to June 30, 2014, the aggregate funded ratio for all the State administered retirement systems, including CPFPPF, PERS and PFRS is 62.8 percent with an unfunded actuarial accrued liability of \$51.0 billion. The CPFPPF system is 65.4 percent funded with an unfunded actuarial accrued liability of \$ 1.7 billion. The aggregate funded ratio and unfunded accrued liability for the local PERS system is 52.08 percent and \$18.7 billion, respectively and the aggregate funded ratio and unfunded accrued liability for local PFRS is 62.4 percent and \$13.9 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, 2013 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) 7.90% for investment rate of return for all the retirement systems except CPFPPF (2.00%) and (b) changes to projected salary increases of 2.15-5.40 percent based on age for PERS and 3.95-9.62 percent based on age for PFRS.

**BOROUGH OF NEW MILFORD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 10.0% for PFRS, 5.50% for DCRP and 6.92% for fiscal year 2015 for PERS of employee's annual compensation.

Annual Pension Cost (APC)

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

During the years ended December 31, 2015, 2014 and 2013, 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</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2015	\$ 933,531	\$ 330,975	\$ 7,000
2014	977,722	317,731	1,066
2013	942,837	314,444	510

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, 2015 and 2014, the Borough had a liability of \$9,004,820 and \$7,182,057, respectively, for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, 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. At June 30, 2015, the Borough's proportionate share was 0.04011 percent, which was an increase of 0.00175 percent from its proportionate share measured as of June 30, 2014 of 0.03836 percent.

**BOROUGH OF NEW MILFORD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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)

For the year ended December 31, 2015 and 2014, the pension system has determined the Borough's pension expense to be \$658,885 and \$339,287, respectively, for PERS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$330,975 and \$317,731, respectively. At December 31, 2015 and 2014, 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>2015</u>		<u>2014</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	\$ 214,823			
Changes of Assumptions	967,046		\$ 225,842	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 144,780		\$ 428,012
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>278,621</u>	<u>156,683</u>	<u>-</u>	<u>191,971</u>
Total	<u>\$ 1,460,490</u>	<u>\$ 301,463</u>	<u>\$ 225,842</u>	<u>\$ 619,983</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

<u>Year Ending December 31.</u>	<u>Total</u>
2016	\$ 163,986
2017	163,986
2018	163,986
2019	163,986
2020	200,181
Thereafter	<u>302,902</u>
	<u>\$ 1,159,027</u>

**BOROUGH OF NEW MILFORD
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

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)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PERS</u>	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases: 2012-2021	2.15-4.40% Based on Age	2.15-4.40% Based on Age
Thereafter	3.15-5.40% Based on Age	3.15-5.40% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000

Actuarial Assumptions

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

The actuarial assumptions used in the July 1, 2014 and 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**BOROUGH OF NEW MILFORD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</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%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	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>Discount Rate</u>
2015	4.90%
2014	5.39%

**BOROUGH OF NEW MILFORD
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, 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, 2015 calculated using the discount rate of 4.90%, 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 (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
Borough's Proportionate Share of the PERS Net Pension Liability	<u>\$ 11,313,746</u>	<u>\$ 9,004,820</u>	<u>\$ 7,478,593</u>

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

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.

**BOROUGH OF NEW MILFORD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Police and Firemen's Retirement System (PFRS)

At December 31, 2015 and 2014, the Borough had a liability of \$19,234,775 and \$14,379,191, respectively, for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 and 2013, 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. At June 30, 2015, the Borough's proportionate share was 0.11548 percent, which was an increase of .00117percent from its proportionate share measured as of June 30, 2014 of 0.11431percent.

For the years ended December 31, 2015 and 2014, the pension system has determined the Borough pension expense to be \$1,687,615 and \$1,077,370, respectively, for PFRS based on the actuarial valuation which is more than the actual contributions reported in the Borough's financial statements of \$933,531 and \$977,722, respectively. At December 31, 2015 and 2014, 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:

	2015		2014	
	<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		\$ 165,906		
Changes of Assumptions	\$ 3,551,217		\$ 539,844	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		334,764		\$ 1,467,348
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>128,183</u>	<u>1,706</u>	<u>-</u>	<u>2,116</u>
Total	<u>\$ 3,679,400</u>	<u>\$ 502,376</u>	<u>\$ 539,844</u>	<u>\$ 1,469,464</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PFRS pension will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2016	\$ 627,662
2017	627,662
2018	627,662
2019	627,662
2020	711,353
Thereafter	<u>(44,977)</u>
	<u>\$ 3,177,024</u>

**BOROUGH OF NEW MILFORD
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

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)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement date:

<u>PFRS</u>	<u>2015</u>	<u>2014</u>
Inflation Rate	3.04%	3.01%
Salary Increases: 2012-2021	2.60-9.48%	3.95-8.62%
	Based on Age	Based on Age
Thereafter	3.60-10.48%	4.95-9.62%
	Based on Age	Based on Age
Investment Rate of Return	7.90%	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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2013. The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2010.

**BOROUGH OF NEW MILFORD
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 and 2014 are summarized in the following table:

<u>Asset Class</u>	<u>2015</u>		<u>2014</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%	1.04%	6.00%	0.80%
U.S. Treasuries	1.75%	1.64%		
Investment Grade Credit	10.00%	1.79%		
Core Bonds			1.00%	2.49%
Intermediate-Term Bonds			11.20%	2.26%
Mortgages	2.10%	1.62%	2.50%	2.17%
High Yield Bonds	2.00%	4.03%	5.50%	4.82%
Inflation-Indexed Bonds	1.50%	3.25%	2.50%	3.51%
Broad US Equities	27.25%	8.52%	25.90%	8.22%
Developed Foreign Equities	12.00%	6.88%	12.70%	8.12%
Emerging Market Equities	6.40%	10.00%	6.50%	9.91%
Private Equity	9.25%	12.41%	8.25%	13.02%
Hedge Funds/Absolute Return	12.00%	4.72%	12.25%	4.92%
Real Estate (Property)	2.00%	6.83%	3.20%	5.80%
Commodities	1.00%	5.32%	2.50%	5.35%
Global Debt ex US	3.50%	-0.40%		
REIT	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>Discount Rate</u>
2015	5.79%
2014	6.32%

**BOROUGH OF NEW MILFORD
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

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:

PFRS

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2045
Municipal Bond Rate *	From July 1, 2045 and Thereafter

* The municipal bond return rate used is 3.80% and 4.29% as of June 30, 2015 and 2014, 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, 2015 calculated using the discount rate of 5.79%, 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 (4.79 percent) or 1-percentage-point higher (6.79 percent) than the current rate:

	1% Decrease <u>(4.79%)</u>	Current Discount Rate <u>(5.79%)</u>	1% Increase <u>(6.79%)</u>
Borough's Proportionate Share of the PFRS Net Pension Liability	\$ 23,250,386	\$ 19,234,775	\$ 16,401,966

The sensitivity analysis was based on the proportionate share of the Borough’s net pension liability at December 31, 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, 2015 AND 2014**

NOTE 12 EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

Special Funding Situation – PFRS

Under N.J.S.A. 43:16A-15, the Borough is responsible for their own PFRS contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State to make contributions if certain circumstances occurred. The legislation which legally obligates the State is as follows: Chapter 8, P.L. 2000, Chapter 318, P.L. 2001, Chapter 86, P.L. 2001, Chapter 511, P.L. 1991, Chapter 109, P.L. 1979, Chapter 247, P.L. 1993 and Chapter 201, P.L. 2001. The amounts contributed on behalf of the Borough by the State under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Accordingly, the Borough's proportionate share percentage 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, 2015 and 2014, the State's proportionate share of the net pension liability attributable to the Borough for the PFRS special funding situation is \$1,686,825 and \$1,548,397, respectively. For the years ended December 31, 2015 and 2014, 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 \$210,407 and \$196,189, respectively, which is more than the actual contributions the State made on behalf of the Borough of \$87,808 and \$64,294, 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 2015, the Borough contributed \$400,000 to the plan.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 2015 and 2014, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation to the plan.

	<u>2015</u>	<u>2014</u>
Annual Required Contribution	\$ 700,000	\$ 780,000
Interest on Net OPEB Obligation	100,000	40,000
Adjustment to Annual Required Contribution	<u>(130,000)</u>	<u>(50,000)</u>
Total (Annual OPEB Cost (Expense))	670,000	770,000
Contributions Made	<u>(400,000)</u>	<u>(279,010)</u>
Increase in Net OPEB Obligation	270,000	490,990
Net OPEB Obligation - Beginning of Year	<u>2,293,108</u>	<u>1,802,118</u>
Net OPEB Obligation - End of Year	<u>\$ 2,563,108</u>	<u>\$ 2,293,108</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 2015, 2014 and 2013 were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligations</u>
2015	\$ 670,000	59.70%	\$ 2,563,108
2014	770,000	33.60%	2,293,108
2013	770,000	39.50%	1,802,118

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 \$6,490,000, and the ratio of the UAAL to the covered payroll was 129 percent.

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 13 POST-RETIREMENT MEDICAL BENEFITS (Continued)

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 0.5 percent per year through year 7 to 5.0% 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, 2015 was 30 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, 2015 and 2014 the Borough has available in the Medical Claims Trust Fund \$84,234 and \$66,468, respectively, for the payment of these claims.

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.

**BOROUGH OF NEW MILFORD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 14 RISK MANAGEMENT (Continued)

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>
2015	\$ 32,000	\$ 9,781	\$ 21,852	\$ 64,223
2014	32,000	9,713	30,322	44,265
2013	32,000	9,457	27,545	32,851

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, 2015 and 2014. 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. 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, 2015 and 2014, 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.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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, 2015 and 2014, 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 December 5, 2000 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of New Milford approved the adoption of the Plan at the general election held on November 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 Volunteer Fire Department and the First Aid Organization, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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 \$1,375 and \$1,375 for 2015 and 2014, respectively, for each eligible volunteer fire department and volunteer ambulance corps member into the Plan. The total Borough contributions were \$50,875 and \$64,625 for 2015 and 2014, 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.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

Reporting Requirements

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

NOTE 18 SUBSEQUENT EVENTS

Bond Anticipation Notes

On May 13, 2016 the Borough issued bond anticipation notes in the amount of \$2,817,435 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to T.D. Bank N.A. at an interest rate of 1.04%. These notes dated May 13, 2016 will mature on May 12, 2017.

Debt Authorized

On April 25, 2016 the Borough adopted a bond ordinance appropriating \$775,000 and authorizing the issuance \$738,000 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, December 31, 2014		\$ 4,128,811
Increased by Receipts:		
Tax Collector	\$ 51,249,028	
Revenue Accounts Receivable	2,386,260	
Non Budget Revenue	445,852	
Due from State of NJ - Veterans' and Senior Citizens' Deductions	111,750	
Grants Receivable	89,747	
Accounts Receivable - Outside Police Duty	911,412	
Reserve for Grants and Aid - Unappropriated	6,894	
Miscellaneous Reserves	11,659	
Petty Cash Returned	1,450	
Receipts from Animal Control Fund	3,396	
Receipts from Other Trust Fund	8,032	
Receipts from General Capital Fund	<u>600,000</u>	
		<u>55,825,480</u>
		59,954,291
Decreased by Disbursements:		
2015 Budget Appropriations	17,492,195	
2014 Appropriation Reserves	667,112	
Encumbrances Payable	15,311	
Local District School Tax	30,523,832	
Municipal Open Space Taxes	78,682	
County Taxes	4,276,872	
Accounts Receivable - Outside Police Duty	879,637	
Refund of Tax Overpayments	48,733	
Miscellaneous Reserves	11,928	
Payments to General Capital Fund	614,030	
Appropriated Grant Reserves	69,163	
Petty Cash	1,450	
Refund of Prior Year Revenue	<u>43,647</u>	
		<u>54,722,592</u>
Balance, December 31, 2015		<u>\$ 5,231,699</u>

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

Increased by Receipts:	
Revenue Accounts Receivable	\$ 92,810
Taxes Receivable	50,902,085
Tax Overpayments	47,341
Prepaid Taxes	<u>206,792</u>
	<u>51,249,028</u>
Decreased by:	
Payments to Treasurer	<u>\$ 51,249,028</u>

EXHIBIT A-6

STATEMENT OF CHANGE FUNDS

<u>Office</u>	Balance, December 31, <u>2014</u>	Balance, December 31, <u>2015</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>

EXHIBIT A-7

STATEMENT OF PETTY CASH FUNDS

Increased by:	
Cash Disbursed to Custodians	\$ 1,450
Decreased by:	
Returned to Finance Department	<u>1,450</u>
Balance, December 31, 2015	<u>\$ -</u>

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

Balance, December 31, 2014		\$	18,398
Increased By:			
Senior Citizens, Veterans and Disabled Persons			
Tax Deductions:			
Per Tax Billings	\$	113,250	
Allowed by Tax Collector		<u>1,750</u>	
			<u>115,000</u>
			133,398
Decreased By:			
Received			
		111,750	
Deductions Disallowed by Tax Collector		<u>57</u>	
			<u>111,807</u>
Balance, December 31, 2015		\$	<u>21,591</u>

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

Year	Balance, December 31, 2014	2015 Levy	Senior Citizens' and Veterans' Deductions Disallowed	2014	2015	Senior Citizens' and Veterans' Deductions Allowed	Transferred to Tax Title Liens	Cancelled	Balance, December 31, 2015
2014	\$ 414,085		57	\$ 224,238	\$ 409,622			\$ 4,463	
2015	-	\$ 51,293,780		\$ 224,238	\$ 50,492,463	\$ 115,000	\$ 1,302	\$ 16,995	\$ 443,839
	<u>\$ 414,085</u>	<u>\$ 51,293,780</u>	<u>\$ 57</u>	<u>\$ 224,238</u>	<u>\$ 50,902,085</u>	<u>\$ 115,000</u>	<u>\$ 1,302</u>	<u>\$ 21,458</u>	<u>\$ 443,839</u>

Analysis of 2015 Property Tax Levy

Tax Yield								
General Purpose Tax				\$ 51,117,609				
Added Taxes (R.S. 54:4-63.1 et seq.)				<u>176,171</u>				<u>\$ 51,293,780</u>
Tax Levy								
Local District School Tax (Abstract)				\$ 30,523,832				
Municipal Open Space Tax			\$ 78,793					
County Tax (Abstract)			<u>4,224,061</u>					
County Tax for Added Taxes (R.S. 54:4-63 et seq.)			14,682					
County Open Space Tax			<u>44,503</u>					
Local Tax for Municipal Purposes (Abstract)				4,362,039				
Minimum Library Tax			15,640,408					
Add Additional Tax Levy			592,568					
			<u>174,933</u>					
				<u>16,407,909</u>				<u>\$ 51,293,780</u>

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

Balance, December 31, 2014	\$ 14,283
Increased By:	
Transferred from Taxes Receivable	<u>1,302</u>
Balance, December 31, 2015	<u>\$ 15,585</u>

BOROUGH OF NEW MILFORD
STATEMENT OF REVENUE ACCOUNTS RECEIVABLE

	Balance, December 31, <u>2014</u>	Accrued in <u>2015</u>	<u>Collected in 2015</u>		Balance, December 31, <u>2015</u>
			<u>Treasurer</u>	<u>Collector</u>	
Borough Clerk					
Alcoholic Beverage					
Licenses		\$ 16,880	\$ 16,880		
Licenses - Other		48,497	48,497		
Construction Code Official					
Fees and Permits		168,470	168,470		
Fees and Permits - Other					
Search Companies		185	185		
Gun Permits		505	505		
Photostats		2,016	2,016		
Fingerprints		280	280		
Duplicate Tax Bills		79		\$ 79	
Municipal Court					
Fines and Costs	\$ 12,747	151,304	150,632		\$ 13,419
Interest and Costs on Taxes		92,731		92,731	
Interest on Investments and Deposits		2,895	2,895		
Fire Safety Act Fees		9,694	9,694		
Recreation Fees		34,335	34,335		
Energy Receipts Tax		1,615,078	1,615,078		
Life Hazard Use Fees		8,895	8,895		
Recycling Revenue		32,194	32,194		
Cell Tower Rent - Gaelic Communications		67,932	67,932		
Cable TV Franchise Fee	-	227,772	227,772	-	-
	<u>\$ 12,747</u>	<u>\$ 2,479,742</u>	<u>\$ 2,386,260</u>	<u>\$ 92,810</u>	<u>\$ 13,419</u>

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

Increased By:	
Authorized in 2015 Budget	\$ 17,500
Balance, December 31, 2015	<u>\$ 17,500</u>

STATEMENT OF PREPAID TAXES

Balance, December 31, 2014	\$ 224,238
Increased by:	
Collection of 2016 Taxes	<u>206,792</u>
	431,030
Decreased by:	
Applied to 2015 Taxes Receivable	<u>224,238</u>
Balance, December 31, 2015	<u>\$ 206,792</u>

STATEMENT OF ACCOUNTS RECEIVABLE - OUTSIDE POLICE DUTY

Balance, December 31, 2014	\$ 175,894
Decreased by:	
Cash Disbursements	<u>879,637</u>
	1,055,531
Decreased by:	
Cash Receipts	<u>911,412</u>
Balance, December 31, 2015	<u>\$ 144,119</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF 2014 APPROPRIATION RESERVES**

	Balance, December 31, <u>2014</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages				
General Administration	\$ 2,500	\$ 2,500		\$ 2,500
Municipal Clerk	3,477	3,477		3,477
Collection of Taxes	5,008	5,008		5,008
Assessment of Taxes	619	619		619
Public Defender	2,000	2,000		2,000
Planning Board	22,054	22,054		22,054
Zoning Board of Adjustments	488	488		488
Construction Code Official	14,737	14,737		14,737
Rent Leveling Board	250	250		250
Police	78,036	79,099		79,099
Fire	850	850		850
Fire Official	108	108		108
Road Repairs and Maintenance	196,401	196,401	\$ 39,746	156,655
Recycling	5,360	5,360		5,360
Buildings and Grounds	5,212	5,212		5,212
Board of Health	5,472	5,472		5,472
Recreation Services and Programs	4,148	4,148	2,490	1,658
Senior Citizens Program	411	411		411
Municipal Court	8,511	8,511		8,511
Salary and Wage Adjustment	41,816	41,816		41,816
Other Expenses				
Municipal Clerk	21,296	29,702	8,349	21,353
Financial Administration	1,401	1,401	1,401	-
Assessment of Taxes	5,906	9,900	3,989	5,911
Collection of Taxes	5,332	8,226	1,443	6,783
Legal Services and Costs	50,478	58,017	22,640	35,378
Engineering Services and Costs	3,752	3,752	279	3,473
Planning Board	1,741	4,344	176	4,168
Zoning Board of Adjustments	6,656	7,610		7,610
Liability	5,170	7,170		7,170
Liability (Bergen Joint Insurance Fund)	19,843	91,334	71,490	19,844
Worker's Compensation - BJIF	29	81,021	80,993	29
Employee Group Insurance	214,092	214,092	203	213,889
Health Benefit Waiver	6,244	6,244		6,244
Police Department	44,389	79,495	28,522	50,973
Emergency Management Services	2,398	2,398		2,398
Fire	2,255	21,697	17,245	4,452
Fire Official	130	1,194	1,064	130
First Aid		1,702	1,702	
Road Repairs and Maintenance	2,013	29,828	28,889	940
Garbage and Trash Removal	161,577	279,251	94,258	184,994
Recycling	16,592	91,381	73,662	17,719
Buildings and Grounds	8,870	17,902	7,967	9,935
Vehicle Maintenance	1,488	8,016	2,530	5,486
Board of Health	5,596	5,662	67	5,596
Environmental Committee	425	835	480	355
Recreation Services and Programs	7,262	8,583	8,087	496
Animal Control	6,391	6,391		6,391
Historical Commission	665	765	100	665
Shade Tree Committee	3,940	3,940	120	3,820

**BOROUGH OF NEW MILFORD
STATEMENT OF 2014 APPROPRIATION RESERVES**

	Balance, December 31, <u>2014</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)				
Senior Citizen Program	\$ 8,092	\$ 10,507	\$ 1,514	\$ 8,993
Construction Code Official	3,012	3,600	3,128	472
Rent Leveling Board	1,425	1,425		1,425
Electricity	27,157	31,273	28,980	2,292
Street Lighting	1,806	1,807	1,042	765
Telephone	13,752	18,892	3,968	14,924
Water	28,230	43,668	19,651	24,016
Gas and Oil	25,290	38,600	30,084	8,516
Sewer Outside Capacity	1	1		1
Celebration of Events	1,340	1,875	75	1,800
Municipal Court	3,763	5,002	840	4,162
Social Security System	25,923	25,923		25,923
Defined Contribution Retirement Program	34	34		34
Maintenance of Free Public Library	12,200	12,200	12,200	
Library	3,115	3,115	3,115	
LOSAP	75,000	75,000	64,625	10,375
	<u>\$ 1,233,529</u>	<u>\$ 1,753,293</u>	<u>\$ 667,112</u>	<u>\$ 1,086,181</u>
Appropriation Reserves		\$ 1,233,529		
Encumbrances Payable		<u>519,764</u>		
		<u>\$ 1,753,293</u>		

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

	Balance, December 31, 2014	Grant Awards	Cash Receipts	Balance, December 31, 2015
OEM-Hazard Mitigation	\$ 38,333		\$ 24,289	\$ 14,044
HAVA-Polling Places	1,498		1,498	
Drive Sober or Get Pulled Over		\$ 3,100	3,100	
Click It or Ticket	246	4,000	4,000	246
Clean Communities	2,177	30,874	30,874	2,177
Body Armor	3,333	799	2,208	1,924
Alcohol Education and Rehabilitation Fund		707	707	
Municipal Alliance	5,838		5,838	
Title III - Senior Citizens	-	20,680	17,233	3,447
	<u>\$ 51,425</u>	<u>\$ 60,160</u>	<u>\$ 89,747</u>	<u>\$ 21,838</u>

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

	Balance, December 31, <u>2014</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2015</u>
Marriage License Fees Payable	\$ 225	\$ 2,075	\$ 1,975	\$ 325
DCA Fees Payable	2,030	9,584	9,953	1,661
Burial Permit Fees Payable	<u>1,453</u>	<u>-</u>	<u>-</u>	<u>1,453</u>
	<u>\$ 3,708</u>	<u>\$ 11,659</u>	<u>\$ 11,928</u>	<u>\$ 3,439</u>

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2014	\$ 535,075
Increased by:	
Charges to 2015 Budget Appropriations	\$ 319,438
Charges to Grant Appropriated Reserves	<u>10,574</u>
	<u>330,012</u>
	865,087
Decreased by:	
Cash Disbursements	15,311
Transferred to Appropriation Reserves	<u>519,764</u>
	<u>535,075</u>
Balance, December 31, 2015	<u>\$ 330,012</u>

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

Balance, December 31, 2014	\$	2,601
Increased by:		
Cash Receipts		47,341
		49,942
Decreased by:		
Cash Disbursements		48,733
Balance, December 31, 2015	\$	1,209

EXHIBIT A-20

STATEMENT OF LOCAL DISTRICT SCHOOL TAX

Increased by:		
Levy - Calendar Year 2015	\$	30,523,832
Decreased by:		
Cash Disbursements		30,523,832

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

Balance, December 31, 2014		\$ 161
Increased by:		
Levy - Calendar Year 2015	\$ 78,521	
Added Taxes	<u>272</u>	
		<u>78,793</u>
		78,954
Decreased by:		
Cash Disbursements		<u>78,682</u>
Balance, December 31, 2015		<u><u>\$ 272</u></u>

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2014		\$ 8,308
Increased by:		
2015 Tax Levy	\$ 4,224,061	
Due County for Added and Omitted Taxes	14,682	
County Open Space Tax	<u>44,503</u>	
		<u>4,283,246</u>
		4,291,554
Decreased by:		
Cash Disbursements		<u>4,276,872</u>
Balance, December 31, 2015		<u><u>\$ 14,682</u></u>

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

	Balance, December 31, <u>2014</u>	<u>Received</u>	Anticipated in 2015 <u>Budget</u>	Balance, December 31, <u>2015</u>
Drunk Driving Enforcement Fund	\$ 1,936		\$ 1,936	
Recycling Tonnage Grant	24,034		24,034	
Body Armor	<u>3,368</u>	<u>\$ 6,894</u>	<u>3,368</u>	<u>\$ 6,894</u>
	<u>\$ 29,338</u>	<u>\$ 6,894</u>	<u>\$ 29,338</u>	<u>\$ 6,894</u>

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

	Balance, December 31, <u>2014</u>	Increased by: Budget <u>Appropriation</u>	Decreased by: <u>Paid/Charged</u>	Balance, December 31, <u>2015</u>
Drunk Driving Enforcement Fund		\$ 1,936		\$ 1,936
Clean Communities	\$ 17,478	30,874	\$ 23,658	24,694
Drive Sober/Get Pulled Over		3,100	3,100	
Body Armor Fund	3,856	3,368	2,685	4,539
Bullet Proof Vest Partnership	2,497	799	1,890	1,406
Municipal Stormwater Management'	4,972			4,972
Recycling Tonnage Grant	12,153	24,034	17,886	18,301
Alcohol Education and Rehabilitation	914	707		1,621
Municipal Alliance	5,838		5,838	
OEM Hazard Mitigation Program	14,044			14,044
Bergen County Environmental Energy	400			400
Click It or Ticket	246	4,000	4,000	246
Title III - Senior Citizens	-	20,680	20,680	-
	<u>\$ 62,398</u>	<u>\$ 89,498</u>	<u>\$ 79,737</u>	<u>\$ 72,159</u>
		Cash Disbursen \$ 69,163		
		Encumbrances <u>10,574</u>		
		<u>\$ 79,737</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, December 31, 2014	\$ 17,092	\$ 784,987	\$ 53,172	\$ 11,532
Increased by Receipts:				
Interest on Investments and Deposits	\$ 10	\$ 274	\$ 29	
Miscellaneous Reserves		15,321,096		
License Fees	7,578			
Due to State of New Jersey	1,434			
Budget Appropriation			32,000	
Recreation Trust Fees				\$ 29,629
Employee Contributions		9,781		
	<u>9,022</u>	<u>15,321,370</u>	<u>41,810</u>	<u>29,629</u>
Decreased by Disbursements:				
Miscellaneous Reserves	26,114	16,106,357	94,982	41,161
Due to LOSAP Trust Fund		15,419,493		
Payments to Current Fund	3,396	8,032	30,584	
Due to State of New Jersey	1,436			
Animal Control Expenditures	6,669			
Recreation Trust Expenditures				14,953
	<u>11,501</u>	<u>15,427,525</u>	<u>30,584</u>	<u>14,953</u>
Balance, December 31, 2015	<u>\$ 14,613</u>	<u>\$ 678,832</u>	<u>\$ 64,398</u>	<u>\$ 26,208</u>

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

	<u>Medical Claims Trust Fund</u>	<u>Community Development Trust Fund</u>	<u>Open Space Trust Fund</u>
Balance, December 31, 2014	\$ 66,468	\$ 8	\$ 43,264
Increased by Receipts:			
Interest on Investments and Deposits	\$ 32	\$	40
Grant Receipts	227,496	58,058	
Medical Claims Trust Deposits	-	-	78,682
Municipal Open Space Tax	<u>227,528</u>	<u>58,058</u>	<u>78,722</u>
	293,996	58,066	121,986
Decreased by Disbursements:			
Payments to General Capital Fund			76,700
CDBG Trust Expenditures	209,762	58,058	
Medical Claims Trust Expenditures	-	-	-
Open Space Trust Expenditures	<u>209,762</u>	<u>58,058</u>	<u>76,700</u>
Balance, December 31, 2015	<u>\$ 84,234</u>	<u>\$ 8</u>	<u>\$ 45,286</u>

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

Balance, December 31, 2014		\$ 13,697
Increased by:		
License Fees		<u>7,578</u>
		21,275
Decreased by:		
Cash Disbursements	\$ 6,669	
Adjustment	3	
Statutory Excess	<u>1,318</u>	
		<u>7,990</u>
Balance, December 31, 2015		<u>\$ 13,285</u>

EXHIBIT B-5

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

Balance, December 31, 2014 (Due From)		\$ 1
Increased by:		
Payments to State of New Jersey		<u>1,436</u>
		1,437
Decreased by:		
Adjustment	\$ 3	
State Registration Fees	<u>1,434</u>	
		<u>1,437</u>
Balance, December 31, 2015		<u>\$ -</u>

EXHIBIT B-6

STATEMENT OF DUE TO CURRENT FUND - OTHER TRUST FUND

Balance, December 31, 2014		\$ 8,032
Increased by:		
Interest due to Current Fund		<u>274</u>
		8,306
Decreased by:		
Payments to Current Fund		<u>8,032</u>
Balance, December 31, 2015		<u>\$ 274</u>

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

Balance, December 31, 2014	\$	161
Increased by:		
Added Assessments - Open Space Tax		272
Open Space Tax		<u>78,521</u>
		<u>78,793</u>
		78,954
Decreased by:		
Cash Receipts		<u>78,682</u>
Balance, December 31, 2015	\$	<u>272</u>

EXHIBIT B-8

STATEMENT OF DUE TO CURRENT FUND - ANIMAL CONTROL FUND

Balance, December 31, 2014	\$	3,396
Increased by:		
Interest on Deposits	\$	10
Statutory Excess		<u>1,318</u>
		<u>1,328</u>
		4,724
Decreased by:		
Payments to Current Fund		<u>3,396</u>
Balance, December 31, 2015	\$	<u>1,328</u>

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

<u>Account</u>	Balance, December 31, <u>2014</u>	<u>Increased</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2015</u>
Escrow Deposits	\$ 149,781	\$ 36,442	\$ 52,850	\$ 133,373
Tax Title Liens and Premiums	38,500	49,952	54,952	33,500
Landlord Emergency Repairs	22,500			22,500
Parking Offenses Adjudication Act	24,877	830		25,707
D.A.R.E Trust	7,774	8,078	6,766	9,086
Shade Tree	175			175
Junior Police Academy	6,876	7,048	7,937	5,987
Historic Preservation	1,740		1,725	15
Uniform Fire Code	1,633	101		1,734
Police Outside Duty	152,159	1,188,275	1,293,039	47,395
Beautification Donation	181	1,599	825	955
Insurance Proceeds	5,603			5,603
Senior Center Donation	1,040	2,504	150	3,394
Public Defender	11,629	3,745		15,374
Snow Removal	245,351	44,053		289,404
Accrued Payroll	99,886	13,946,361	13,968,226	78,021
Flexible Spending	3,723	32,108	33,023	2,808
Police Auxiliary	3,527	-	-	3,527
	<u>\$ 776,955</u>	<u>\$ 15,321,096</u>	<u>\$ 15,419,493</u>	<u>\$ 678,558</u>

EXHIBIT B-10

STATEMENT OF RESERVE FOR EXPENDITURES - RECREATION TRUST FUND

Balance, December 31, 2014	\$ 11,532
Increased by:	
Cash Receipts	<u>29,629</u>
	41,161
Decreased by:	
Payments	<u>14,953</u>
Balance, December 31, 2015	<u>\$ 26,208</u>

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

Balance, December 31, 2014		\$	66,468
Increased by:			
Interest Earned	\$		32
Cash Receipts		<u>227,496</u>	
			<u>227,528</u>
			293,996
Decreased by:			
Cash Disbursements			<u>209,762</u>
Balance, December 31, 2015		<u>\$</u>	<u>84,234</u>

EXHIBIT B-12

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

Balance, December 31, 2014		\$	1
Increased by:			
Cash Receipts			<u>58,058</u>
			58,059
Decreased by:			
Cash Disbursements			<u>58,058</u>
Balance, December 31, 2015		<u>\$</u>	<u>1</u>

EXHIBIT B-13

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

Balance, December 31, 2014		\$	<u>7</u>
Balance, December 31, 2015		<u>\$</u>	<u>7</u>

BOROUGH OF NEW MILFORD
STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE

Balance, December 31, 2014		\$ 44,265
Increased by:		
Borough Contributions	\$ 32,000	
Employee Contributions	9,781	
Interest Earned	<u>29</u>	
		<u>41,810</u>
		86,075
Decreased by:		
Due to State of New Jersey		<u>21,852</u>
Balance, December 31, 2015		<u>\$ 64,223</u>

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

Balance, December 31, 2014		\$ 8,907
Increased by:		
Claims		<u>21,852</u>
		30,759
Decreased By:		
Payments		<u>30,584</u>
Balance, December 31, 2015		<u>\$ 175</u>

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

Balance , December 31, 2014		\$ 43,425
Increased by:		
Cash Receipts - Open Space Tax	\$ 78,521	
Cash Receipts - Interest Earned	40	
Amount Due from Current Fund - Added Taxes Open Space	<u>272</u>	
		<u>78,833</u>
		122,258
Decreased by:		
Improvement Authorizations Funded by Open Space Trust Fund		<u>76,700</u>
Balance , December 31, 2015		<u>\$ 45,558</u>

GENERAL CAPITAL FUND

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

Balance, December 31, 2014	\$	3,326,517
Increased by Receipts:		
Interest on Investments and Deposits	\$	822
Receipts from Current Fund		712,084
Receipts from Open Space Trust Fund		76,700
Serial Bond Proceeds		8,610,000
Premium on Sale on Bonds		86,100
Grants and Contributions Receivable		139,463
Capital Improvement Fund		185,900
Bond Anticipation Notes		<u>1,034,948</u>
		<u>10,846,017</u>
		14,172,534
Decreased by Disbursements:		
Improvement Authorizations		640,596
Current Fund Expenditures Paid by General Capital Fund		28,100
Payments to Current Fund		600,000
Contracts Payable		3,517,614
Bond Anticipation Notes Paid with Capital Cash		<u>7,938,625</u>
		<u>12,724,935</u>
Balance, December 31, 2015	\$	<u>1,447,599</u>

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

	Balance, December 31, <u>2015</u>
Fund Balance	\$ 86,100
Contracts Payable	882,848
Due from Current Fund	(11,178)
Grants and Contributions Receivable	(700,213)
Capital Improvement Fund	22,330
Reserve for Payment of Debt	97,947
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
09-05	Various Public Improvements	5,871
09-13	Various Public Improvements	(20,259)
10-06	Various Public Improvements	34,739
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	58,352
11-09	Various Public Improvements	12,955
12-07	Various Public Improvements	(49,323)
12-12	Improvement of Center Street	7,297
13-06/14-25	Various Public Improvements	141,038
13-13	Interior Imprvts at Senior Center	11,632
14-06	Various Public Improvements	(250,946)
14-20	Various Recreation Improvements	95,257
14-22/15-02	ADA Cooperative Curb/Ramp Construction	52,210
14-23	Bypass of the Borough's Sanitary Sewer Line and Connection to the BCUA at Henley Avenue	49,406
14-27	Drainage Improvements at Cherry and Chestnut Streets	13,245
14-28	Senior Center Rehabilitation (Phase III), Amend 14-06	92,950
14-31	Acquisition of a New Loader for DPW	285
15-06	Various Public Improvements	504,590
15-12	Improvement of Blvd (Sec. 7 Hoffman to Reichelt Rd)	164,827
15-16	Rehabilitation of Basketball Courts at Prospect Park	108,960
15-17	Improvement of Berkley St	142,810
15-22	Acquisition of New Garbage Trucks	23,100
		<u>\$ 1,447,599</u>

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

Balance, December 31, 2014 (Due To)		\$	2,070
Increased by:			
Interest on Investments and Deposits		\$	822
Cash Receipts			<u>712,084</u>
			<u>712,906</u>
			714,976
Decreased by:			
Current Expenditures Paid by General Capital Fund			28,100
Cash Disbursed to Current Fund			600,000
Deferred Charges to Future Taxation			
Raised in Current Fund			<u>98,054</u>
			<u>726,154</u>
Balance, December 31, 2015 (Due From)		\$	<u><u>11,178</u></u>

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

Balance, December 31, 2014		\$ 3,921,977
Increased by:		
Serial Bonds Issued		<u>8,610,000</u>
		12,531,977
Decreased by:		
Bonds Paid By Budget Appropriations	\$ 790,000	
Loans Paid By Budget Appropriations	31,335	
Loans Paid By Project Credit	<u>20,000</u>	
		<u>841,335</u>
Balance, December 31, 2015		<u>\$ 11,690,642</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2014	2015 Authorizations	Paid by Budget	Serial Bonds Issued	Grant Receipts	Balance, December 31, 2015	Bond Anticipation Notes	Analysis of Balance, December 31, 2015	
									Expenditures	Unexpended Improvement Authorizations
89-11/01-24	Resurfacing of Reichelt Road	\$ 727		\$ 727						
94-05/06-11	Various Improvements	860		860						
00-05/04-19	Sanitary Sewer Rehabilitation	9,500		9,500						
01-04/13	Recreation Area Improvements	4,725		4,725						
03-03	Gateway to Historic New Bridge Landing Project	16,772		16,772						
03-12	Various Improvements	475		475						
04-02	Improvements to River Road, Section 3	7,680		7,680			\$ 218,000		\$ 218,000	
04-10	Various Improvements	218,000								
05-11	Hardcastle Pond Redevelopment	4,872		4,872			118		\$ 118	
05-14/07-16	Various Public Improvements	24,303		24,385						
05-23	Acquisition of Property	15,482		15,482						
06-11	Improvements to River Road, Section 5	12,776		12,776						
08-08	Various Improvements	435					435			435
09-04	Improvements to the Boulevard, Section 5	11,149		10,527	\$ 622					
09-05	Various Public Improvements	249,895		14,135	235,760					
09-07	Sanitary Sewer Rehabilitation	23,619		1,627	21,992					
09-13	Various Public Improvements	475,248		14,726	440,263		20,259		20,259	
10-05	Various Public Improvements	52,630		23,685	28,945					
10-06	Various Public Improvements	44,133		10,000	34,133					
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	565,144		14,928	550,216					
10-13	Various Public Improvements	24,077		1,353	22,724					
10-14	Sanitary Sewer Pipe Lining & Replacement	33,641		33,641						
11-08	River Road Streetscape Improvement Project, Phase IV	22,979		10,527	12,452					
11-09	Various Public Improvements	587,412		34,952	552,460					
12-07	Various Public Improvements	744,559		40,977	576,580	\$ 28,942	98,060	\$ 29,055	49,323	19,682
12-12	Improvement of Center Street	43,247		43,247						
13-06	Various Public Improvements	4,480,000		4,480,000						
13-07	Imp of Blvd (Sec. 6) and Monmouth Avenue (Sec. 3)	97,500			60,000					
14-06	Various Public Improvements	5,203,000					5,203,000		250,946	4,952,054
14-23	Bypass of the Borough's Sanitary Sewer Line and Connection to the BCUA at Henley Avenue Amend 2013-06: Additional Appropriation	57,000			57,000					
14-25	Amend 2013-06: Additional Appropriation	166,600			166,600					
14-27	Drainage Improvements at Cherry and Chestnut Streets	395,000			114,000		281,000		281,000	
14-28	Senior Center Rehabilitation (Phase III), Amend 14-06	108,500			15,565		92,935		92,935	
14-31	Acquisition of a New Loader for DPW	142,800			142,800					
15-06	Various Public Improvements		\$ 1,021,000		1,021,000					
15-22	Acquisition of New Garbage Trucks		461,900				461,900			461,900
		\$ 13,844,740	\$ 1,482,900	\$ 275,491	\$ 8,610,000	\$ 66,442	\$ 6,375,707	\$ 402,990	\$ 538,528	\$ 5,434,189
	Notes Paid by Budget			\$ 177,437				Bond Anticipation Notes	\$ 440,490	
	Deferred Charges Raised in Budget			98,054				Less: Excess Proceeds - Ord 13-07	37,500	
				\$ 275,491					\$ 402,990	
										\$ 5,540,369
										Less: Unexpended proceeds of BAN's
										Ord. 14-27 \$ 13,245
										Ord. 14-28 92,935
										<u>106,180</u>
										<u>\$ 5,434,189</u>

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

Balance, December 31, 2014	\$ 5,030
Increased by:	
2015 Budget Appropriation	<u>185,900</u>
	190,930
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>168,600</u>
Balance, December 31, 2015	<u>\$ 22,330</u>

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

Balance, December 31, 2014	\$ 3,517,614
Increased by:	
Contracts Awarded	<u>882,848</u>
	4,400,462
Decreased by:	
Cash Disbursements	<u>3,517,614</u>
Balance, December 31, 2015	<u>\$ 882,848</u>

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

Date of Issue	Original Issue	Maturities of Bonds Outstanding December 31, 2015		Interest Rate	Balance, December 31, 2014	Increased	Decreased	Balance, December 31, 2015
		Date	Amount					
6/15/2005	\$ 3,085,000				\$ 445,000		\$ 445,000	
General Bonds of 2005								
5/1/2009	4,160,000	5/1/2016	235,000	3.00	2,685,000		345,000	2,340,000
		5/1/2017	370,000	3.00				
		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 2009								
12/1/2015	8,610,000	12/1/2016	475,000	1.00				
		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		\$ 8,610,000
					\$ 3,130,000	\$ 8,610,000	\$ 790,000	\$ 10,950,000

Paid by Current Fund Budget \$ 790,000

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

Balance, December 31, 2014	<u>\$ 30,000</u>
Balance, December 31, 2015	<u>\$ 30,000</u>

BOROUGH OF NEW MILFORD
STATEMENT OF GRANTS AND CONTRIBUTIONS RECEIVABLE

	Total	Community Development Block Grant	Bergen County Open Space Trust Fund	Department of Transportation	Due from Bergen County	Contribution Rec. Homeowner's Flood Insurance Proceeds
Balance, December 31, 2014	\$ 844,405	\$ 168,171	\$ 175,584	\$ 318,500	\$ 180,650	\$ 1,500
Increased by:						
Grant Award						
Ord 15-12 Imprvt of Blvd (Hoffman to Reichelt Rd)	149,000			149,000		
Ord 15-16 Rehab of Basketball Courts at Prospect Park	47,000		47,000			
Ord 15-17 Imprvt of Berkley St	92,500	92,500				
Ord. 14-22/15-02 (ADA Curb/Ramp Const.)	81,000	-	-	-	81,000	-
	<u>1,213,905</u>	<u>260,671</u>	<u>222,584</u>	<u>467,500</u>	<u>261,650</u>	<u>1,500</u>
Decreased by:						
Cash Receipts:						
Ord. 12-07 (Handicapped Access for the Senior Center)	28,942	28,942				
Ord. 13-13 (Interior Imprvts to Senior Ctr)	29,117	29,117				
Ord. 13-09 (Imprvts to Various Fields)	43,904		43,904			
Ord. 13-07 (Imp of Blvd and Monmouth Ave)	37,500	-	-	37,500	-	-
	<u>139,463</u>	<u>58,059</u>	<u>43,904</u>	<u>37,500</u>	<u>-</u>	<u>-</u>
Balance, December 31, 2015	<u>\$ 1,074,442</u>	<u>\$ 202,612</u>	<u>\$ 178,680</u>	<u>\$ 430,000</u>	<u>\$ 261,650</u>	<u>\$ 1,500</u>
<u>Analysis of Balance</u>						
Ord. 10-06 (Imprvt of Hardcastle Pone)	\$ 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. 13-13 (Interior Imprvts to Senior Ctr)	16,883	16,883				
Ord. 14-27 (Drainage Improvements)	281,000			\$ 281,000		
Ord. 14-20 (Recreation Improvements)	50,605		50,605			
Ord. 14-22 (ADA Curb/Ramp Const.)	261,650				\$ 261,650	
Ord. 14-28 (Senior Ctr Improvements)	93,116	93,116				
Ord. 15-12 (Imprvt of Blvd - Hoffman)	149,000			149,000		
Ord. 15-16 (Rehab of Basketball Courts)	47,000		47,000			
Ord. 15-17 (Imprvt to Berkley St)	92,500	92,500	-	-	-	-
	<u>\$ 1,074,442</u>	<u>\$ 202,612</u>	<u>\$ 178,680</u>	<u>\$ 430,000</u>	<u>\$ 261,650</u>	<u>\$ 1,500</u>

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

Balance, December 31, 2014	\$ <u>97,947</u>
Balance, December 31, 2015	\$ <u>97,947</u>

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

Balance, December 31, 2014	\$	440,671
Decreased by:		
Grant Receipts		
Community Development Block Grant - Ord. 12-07		28,942
Department of Transportation - Ord. 13-07		37,500
		37,500
Balance, December 31, 2015	\$	374,229
<u>Analysis of Balance</u>		
Department of Transportation - Ord. 14-27	\$	281,000
Community Development Block Grant - Ord. 12-07		113
Community Development Block Grant - Ord. 14-28		93,116
		93,116
	\$	374,229

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

Balance, December 31, 2014		\$	791,977
Decreased by:			
Paid by Budget Appropriation	\$	31,335	
Paid by Project Credit		<u>20,000</u>	
			<u>51,335</u>
Balance, December 31, 2015		\$	<u>740,642</u>

Analysis of Balance

Fund Loan	\$	245,642
Trust Loan		<u>495,000</u>
	\$	<u>740,642</u>

DUE FROM OPEN SPACE TRUST FUND

Increased by:			
Appropriated to Fund Improvement Authorization - Ord 2015-16	\$	76,700	
Decreased by:			
Cash Receipts		<u>76,700</u>	
Balance, December 31, 2015	\$	<u>-</u>	

RESERVE FOR GREEN ACRES

Balance, December 31, 2014	\$	<u>46</u>
Balance, December 31, 2015	\$	<u>46</u>

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

Ordinance #	Improvement Description	Original Issue Date	Date of Issue	Date of Maturity	Interest Rate	Balance			Balance December 31, 2015
						December 31, 2014	Increased	Decreased	
09-04	Improvements to Boulevard, Sec. 5	7/23/2009	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	\$ 11,149	\$ 622	\$ 11,149 622	
09-05	Various Public Improvements	7/23/2009	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	249,895	235,760	249,895 235,760	
09-07	Sanitary Sewer Rehabilitation	7/23/2009	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	23,619	21,992	23,619 21,992	
09-13	Various Public Improvements/ Additional Machinery and Equip.	4/19/2010	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	450,588	440,262	450,588 440,262	
10-05	Various Public Improvements	7/19/2010	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	275,216	28,945	275,216 28,945	
10-06	Various Public Improvements	4/19/2010	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	44,133	34,133	44,133 34,133	
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	7/23/2010	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	565,144	550,216	565,144 550,216	
10-13	Various Public Improvements	4/19/2011	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	24,077	22,724	24,077 22,724	
10-14	Sanitary Sewer Pipe Lining & Replacement	4/16/2015	4/16/2015	12/1/2015	0.42%		33,642	33,642	
11-08	River Road Streetscape Improvement Project, Phase IV	9/19/2011	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	22,985	12,452	22,985 12,452	
11-09	Various Public Improvements	9/19/2011	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	587,413	552,460	587,413 552,460	
12-07	Various Public Improvements	6/19/2012 11/4/2015	4/17/2014 4/16/2015 11/4/2015	4/17/2015 12/1/2015 5/13/2016	0.43% 0.42% 0.93%	744,559	605,635 29,055	744,559 605,635	\$ 29,055
12-12	Improvements to Center Street	4/19/2013	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	42,826	43,247	42,826 43,247	
13-06/14-25	Various Public Improvements	8/2/2013	4/17/2014 4/16/2015	4/17/2015 12/1/2015	0.43% 0.42%	4,480,000	4,646,600	4,480,000 4,646,600	
13-07	Imp of Blvd (Sec. 6) and Monmouth Avenue (Sec. 3)	4/16/2015 11/4/2015	4/16/2015 11/4/2015	12/1/2015 5/13/2016	0.42% 0.93%		97,500 37,500	97,500	37,500
14-23	Bypass of the Borough's Sanitary Sewer Line and Connection to the BCUA at Henley Avenue	4/16/2015	4/16/2015	12/1/2015	0.42%		57,000	57,000	
14-27	Drainage Improvements at Cherry and Chestnut Streets	4/16/2015 11/4/2015	4/16/2015 11/4/2015	12/1/2015 5/13/2016	0.42% 0.93%		395,000 281,000	395,000	281,000
14-28	Senior Center Rehabilitation (Phase III), Amend 14-06	4/16/2015 11/4/2015	4/16/2015 11/4/2015	12/1/2015 5/13/2016	0.42% 0.93%		108,500 92,935	108,500	92,935
14-31	Acquisition of a New Loader for DPW	4/16/2015	4/16/2015	12/1/2015	0.42%	-	142,800	142,800	-
						\$ 7,521,604	\$ 8,469,980	\$ 15,551,094	\$ 440,490

Renewals	\$ 7,435,032	\$ 7,435,032
Issued for Cash	1,034,948	
Paid by Budget Appropriation		177,457
Funded with Serial Bonds Issued		7,589,000
Paid with Capital Cash	-	349,625
	\$ 8,469,980	\$ 15,551,114

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

Ord. No.	Improvement Description	Increased by			Decreased by		Balance, December 31, 2015
		Balance, December 31, 2014	2015 Authorizations	Notes Not Renewed	Notes Issued	Funded by Budget	
	<u>General Improvements</u>						
89-11/91-24	Resurfacing of Reichelt Road	\$ 727				\$ 727	
94-05/96-11	Various Improvements	860				860	
00-05/04-19	Sanitary Sewer Rehabilitation	9,500				9,500	
01-04/13	Recreation Area Improvements	4,725				4,725	
03-03	Gateway to Historic New Bridge Landing Project	16,772				16,772	
03-12	Various Improvements	475				475	
04-02	Improvements to River Road, Section 3	7,680				7,680	
04-10	Various Improvements	218,000					\$ 218,000
05-11	Hardcastle Pond Redevelopment	4,872				4,872	
05-14/07-16	Various Public Improvements	24,303				24,185	118
05-23	Acquisition of Property	15,482				15,482	
06-11	Improvements to River Road, Section 5	12,776				12,776	
08-08	Various Improvements	435					435
09-13	Various Public Improvements	24,660			\$ 4,401		20,259
10-14	Sanitary Sewer Pipe Lining & Replacement	33,641			33,641		
12-07	Various Public Improvements			\$ 98,060	29,055		69,005
12-12	Improvements of Center Street	421			421		
13-07	Imp of Blvd (Sec. 6) and Monmouth Avenue (Sec. 3)	97,500			97,500		
14-06	Various Public Improvements	5,203,000					5,203,000
14-23	Bypass of the Borough's Sanitary Sewer Line and Connection to the BCUA at Henley Avenue	57,000			57,000		
14-25	Amend 2013-06: Additional Appropriation	166,600			166,600		
14-27	Drainage Improvements at Cherry and Chestnut Streets	395,000			395,000		
14-28	Senior Center Rehabilitation (Phase III), Amend 14-06	108,500			108,500		
14-31	Acquisition of a New Loader for DPW	142,800			142,800		
15-06	Various Public Improvements		\$ 1,021,000				\$ 1,021,000
15-22	Acquisition of New Garbage Trucks	-	461,900				461,900
		<u>\$ 6,545,729</u>	<u>\$ 1,482,900</u>	<u>\$ 98,060</u>	<u>\$ 1,034,918</u>	<u>\$ 98,054</u>	<u>\$ 5,972,717</u>

PUBLIC ASSISTANCE FUND

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

	<u>PATF #1</u>	<u>Total</u>
Balance, December 31, 2014	\$ 12,290	\$ 12,290
Increased by Receipts:		
Donations	3,800	3,800
Interest	<u>17</u>	<u>17</u>
	<u>16,107</u>	<u>16,107</u>
Decreased by Disbursements:		
Non-Reimbursable Public Assistance Payments	<u>2,556</u>	<u>2,556</u>
Balance, December 31, 2015	<u>\$ 13,551</u>	<u>\$ 13,551</u>

EXHIBIT D-2

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE FUND

	<u>PATF #1</u>	<u>Total</u>
Balance, December 31, 2014	\$ 12,290	\$ 12,290
Increased by:		
Donations	3,800	3,800
Interest	<u>17</u>	<u>17</u>
	<u>16,107</u>	<u>16,107</u>
Decreased by:		
Non-Reimbursable Public Assistance Payments	<u>2,556</u>	<u>2,556</u>
Balance, December 31, 2015	<u>\$ 13,551</u>	<u>\$ 13,551</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, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 25, 2016. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no 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.

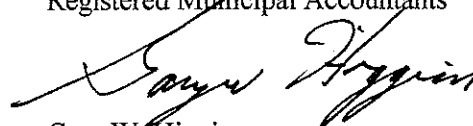
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Borough of New Milford in Part III of this report of audit entitled, "Letter of Comments and Recommendations".

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 25, 2016

**BOROUGH OF NEW MILFORD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Grant Year	CFDA Number	Grant Award Amount	2015 Grant Receipts	Balance, December 31, 2014	Revenue Realized	Adjustment	Expenditures	Balance, December 31, 2015	Memo Cumulative Total Expenditures
Department of Housing and Urban Development (Community Development Block Grant)									
2011	14.218	\$ 110,000	\$ 28,942	\$ 5,364	\$ -	\$ 900	\$ 4,464	\$ 105,536	
2012		127,000	29,117	114		114		127,000	
2013		46,000		46,000				34,368	
2014		93,116		93,116				15,550	
2015		92,500			\$ 92,500			92,500	
U.S. Department of Transportation (Passed through NJ Dept of Transportation)									
2014	20.601	4,000		246				246	3,754
2015	20.616	4,000	4,000		4,000				4,000
2015	20.616	3,100	3,100		3,100				3,100
U.S. Department of Justice Bulletproof Vest Partnership Program									
2014	16.607	2,497		2,497				607	1,890
2015	16.607	799			799			799	
U.S. Department of Health and Human Services Title III - Senior Citizens									
2015	93.044	20,680	17,233		20,680			20,680	
U.S. Department of Homeland Security Hazard Mitigation Grant - Admin Funds									
2015	97.039	29,085	29,085		29,085			29,085	29,085
2015	97.039	8,767	8,767		8,767			8,767	8,767
2014	97.039	38,333	24,289	14,044				14,044	24,289
U.S. Department of Environmental Protection Stormwater Regulation Grant									
2004	66.605	9,022		4,972				4,972	4,050
				<u>\$ 166,353</u>	<u>\$ 158,931</u>	<u>\$ (4,688)</u>	<u>\$ 113,766</u>	<u>\$ 206,830</u>	

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

**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, 2015**

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	\$ 66,431	\$ 60,919	\$ 127,350
General Capital Fund	<u>92,500</u>	<u>149,000</u>	<u>241,500</u>
Total Financial Awards	<u>\$ 158,931</u>	<u>\$ 209,919</u>	<u>\$ 368,850</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, 2015**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2015, 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	\$ 245,642
Trust Loan	<u>495,000</u>
	<u>\$ 740,642</u>

**BOROUGH OF NEW MILFORD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015**

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? _____ yes X 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? _____ yes X no

Federal Awards Section

NOT APPLICABLE

State Awards Section

NOT APPLICABLE

**BOROUGH OF NEW MILFORD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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, 2015

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

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

	Year 2015		Year 2014	
	Amount	Percent	Amount	Percent
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 717,000	1.28% %	\$ 717,000	0.25 %
Miscellaneous - From Other Than Local				
Property Tax Levies	3,016,844	5.38%	2,804,847	5.78
Collection of Delinquent Taxes and Tax Title Liens	409,622	0.73%	423,267	1.03
Collection of Current Tax Levy	50,831,644	90.60%	49,200,779	92.31
Other Credits	<u>1,129,852</u>	<u>2.01%</u>	<u>1,219,487</u>	<u>0.63</u>
Total Income	<u>56,104,962</u>	<u>100.00%</u> %	<u>54,365,380</u>	<u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	19,314,494	35.60%	19,010,651	35.97 %
County Taxes	4,283,246	7.90%	4,057,397	7.68
Local School Taxes	30,523,832	56.27%	29,530,523	55.87
Municipal Open Space Taxes	78,793	0.15%	78,690	0.14
Other Expenditures	<u>43,647</u>	<u>0.08%</u>	<u>178,735</u>	<u>0.34</u>
Total Expenditures	54,244,012	100.00% %	52,855,996	100.00 %
Less: Expenditures to be Raised by Future Revenue	<u>17,500</u>		<u>-</u>	
Total Adjusted Expenditures	<u>54,226,512</u>		<u>52,855,996</u>	
Excess in Revenue	1,878,450		1,509,384	
Fund Balance, January 1	<u>2,099,728</u>		<u>1,307,344</u>	
	3,978,178		2,816,728	
Less Utilization as Anticipated Revenue	<u>717,000</u>		<u>717,000</u>	
Fund Balance, December 31	<u>\$ 3,261,178</u>		<u>\$ 2,099,728</u>	

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Tax Rate</u>	<u>\$3.255</u>	<u>\$3.158</u>	<u>\$3.086</u>
<u>Apportionment of Tax Rate</u>			
Municipal	1.034	1.014	1.003
Municipal Open Space Tax	.005	.005	.005
Local School	1.944	1.880	1.831
County (Includes County Open Space Tax)	.272	.259	.247

Assessed Valuation Basis

2015	<u>\$1,570,433,135</u>
2014	<u>\$1,570,583,781</u>
2013	<u>\$1,562,954,000</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>
2015	\$ 51,293,780	\$ 50,831,644	99.09%
2014	49,699,673	49,200,779	99.00%
2013	48,735,123	48,196,732	98.90%

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>
2015	\$ 15,585	\$ 443,839	\$ 459,424	0.90%
2014	14,283	414,085	428,368	0.86%
2013	13,020	400,482	413,502	0.85%

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

Property Acquired By Tax Title Lien Foreclosure

No properties have been acquired in 2015 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>
2015	\$-0-
2014	-0-
2013	-0-

Comparative Schedule Of Fund Balance

	<u>Year</u>	<u>Balance, December 31.</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2015	\$3,261,178	\$1,356,000
	2014	2,099,728	717,000
	2013	1,307,344	717,000
	2012	917,603	556,227
	2011	447,997	130,088

**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
Austin Ashley	Councilman
Michael Putrino	Councilman
Jose Alonso	Councilman
Ulises Cabrera	Councilman
Diana McLeod-Lindner	Chief Financial Officer
Christine Demiris	Borough Administrator/Clerk
Denise Amoroso	Tax Collector/Assistant Treasurer
Anne Melikian	Deputy Tax Collector
James Taormina	Construction Official
Alan Silverman	Fire Subcode Official
Maria Sapuppo	Zoning Official
Elisbeth 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
David Stormer	Fire Chief
Frank Ramaci	Chief of Police
Vince Cahill	Superintendent of Department of Public Works
John Bigger	Recreation Director
Lynn Sullivan	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

Prior Year Unresolved

The audit of the Recreation Commission revealed that a detailed cash receipts ledger was not maintained.

It is recommended that the Recreation Commission maintain a cash receipts ledger.

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, 2015.

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 \$21,000, 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 \$36,000. The Borough, by resolution, has increased the bid threshold to \$36,000.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$36,000 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:

Recreation Field Improvements	Collection, Removal, Disposal of Recycling Material
Disposal/Recycling of Leaves	Cherry Street Drainage Improvements
Road Improvement Program	Solid Waste Collection

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 1, 2015, 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 3, 2015 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>
2015	3
2014	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:

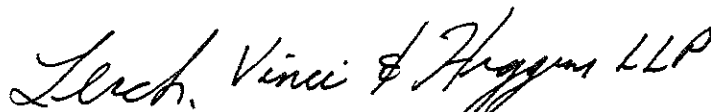
- * 1. The Recreation Commission maintain a cash receipts ledger.
- * 2. Reconciling items on the Municipal Court bank accounts be reviewed and cleared of record and the account shortfall in the bail account be remediated.

Status of Prior Years' Audit Findings/Recommendations

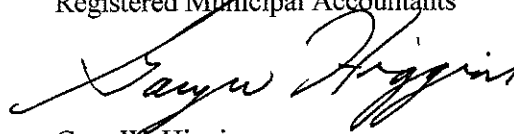
A review was performed on all prior year's recommendations and corrective action was taken on all except those denoted above with an asterisk.

* * * * *

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
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Registered Municipal Accountants



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405