

REPORT OF AUDIT

BOROUGH OF NEW MILFORD

COUNTY OF BERGEN

DECEMBER 31, 2013

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BOROUGH OF NEW MILFORD

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BOROUGH OF NEW MILFORD

PART I

REPORT OF AUDIT ON FINANCIAL STATEMENTS

AND SUPPLEMENTARY DATA

YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of New Milford in the County of Bergen, as of December 31, 2013, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents. The financial statements for the year ended December 31, 2012 were audited by other auditors whose report dated June 12, 2013 expressed a qualified opinion. The qualification relates to the inclusion of the financial statements - regulatory basis of the Length of Service Award Program (LOSAP) Trust Fund which were not audited.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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



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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of New Milford as of December 31, 2013, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As described in Note 14 of the financial statements, the Borough participates in a Length of Service Award Program (LOSAP) for its volunteer fire and rescue personnel. The amount reflected in the trust fund statements of \$795,723 and \$676,871 for 2013 and 2012, respectively, were not audited and, therefore, we express no opinion on the LOSAP program.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of the matter described in the “*Basis for Qualified Opinion on Regulatory Basis of Accounting*” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets and account group as of December 31, 2013, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2013 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2014 on our consideration of the Borough of New Milford’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

The Honorable Mayor and
Members of the Borough Council
Page 3.

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of New Milford's internal control over financial reporting and compliance.



Steven D. Wielkottz, C.P.A.
Registered Municipal Accountant
No. CRO0413



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

June 13, 2014

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2013 and 2012

<u>Assets</u>	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Regular fund:			
Cash and Investments	A-4	\$ 3,975,317	2,635,933
Cash - Change Funds	A-5	450	450
Due from State of N.J. (Ch. 20, P.L. 1971)	A-7	17,842	10,026
Grants Receivable	A-20	47,333	1,623,726
		<u>4,040,942</u>	<u>4,270,135</u>
Receivables and other assets with full reserves:			
Delinquent Property Taxes Receivable	A-8	400,482	543,075
Tax Title Liens Receivable	A-9	13,020	11,785
Revenue Accounts Receivable	A-10	13,062	20,942
Interfund Receivables:			
Animal License Trust Fund	A-19	10,427	7,117
Other Trust Fund	A-19	7,747	119
General Capital Fund	A-19	1,647	729
		<u>446,385</u>	<u>583,767</u>
Deferred Charges:			
Special Emergency Authorizations (40A:4-53)	A-14		5,000
Emergency Authorizations	A-15		75,000
			<u>80,000</u>
		<u>\$ 4,487,327</u>	<u>4,933,902</u>

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Current Fund

December 31, 2013 and 2012

<u>Liabilities, Reserves and Fund Balance</u>	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Regular Fund - Liabilities:			
Appropriation Reserves	A-3, A-11	1,409,171	836,755
Encumbrances Payable	A-12	562,529	552,327
Prepaid Taxes	A-13	624,048	310,615
Tax Overpayments	A-16	11,197	10,716
Due to County for Added and Omitted Taxes	A-17	6,113	4,002
Interfunds Payable:			
Open Space Trust Fund	A-19	126	97
Reserve For:			
DCA Fees Payable	A-21	3,191	1,213
Marriage License Fees Payable	A-21	600	350
State Burial Fees	A-21	1,453	1,453
Master Plan	A-21		13,894
Federal and State Grants - Appropriated	A-22	92,643	1,674,147
Federal and State Grants - Unappropriated	A-23	22,527	26,963
		<u>2,733,598</u>	<u>3,432,532</u>
Reserve for Receivables and Other Assets	A	446,385	583,767
Fund Balance	A-1	<u>1,307,344</u>	<u>917,603</u>
		<u>\$ 4,487,327</u>	<u>4,933,902</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

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

Current Fund

Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Revenue and other income realized:		
Fund balance utilized	\$ 556,227	130,088
Miscellaneous revenue anticipated	2,686,002	4,330,436
Receipts from delinquent taxes	516,720	464,137
Receipts from current taxes	48,196,732	46,943,670
Nonbudget revenue	80,809	225,265
Other credits to income:		
Unexpended balance of appropriation reserves	558,470	547,569
Interfunds returned	848	104,522
	<hr/>	<hr/>
Total revenues and other income	52,595,808	52,745,687
	<hr/>	<hr/>
Expenditures:		
Budget appropriations:		
Operations:		
Salaries and wages	7,390,389	7,047,765
Other expenses	8,424,266	9,794,670
Capital improvements	235,255	40,000
Municipal debt service	1,046,153	1,047,917
Deferred charges and statutory expenditures	1,719,490	1,646,989
Judgments		30,000
Local School District Tax	28,810,572	28,226,840
County taxes	3,825,724	4,168,740
County share of added and omitted taxes	6,113	4,241
County open space tax	42,346	48,114
Local open space tax	78,648	97,290
Local open space added tax	126	97
Refund of prior year taxes and revenues	70,758	60,365
Interfund advances		7,965
	<hr/>	<hr/>
Total expenditures	51,649,840	52,220,993
	<hr/>	<hr/>
Excess in revenue	945,968	524,694

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

Current Fund

Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Adjustments to Income before Fund Balance:		
Expenditures included above which are by Statute Deferred		
Charges to Budget of Succeeding Year		75,000
Statutory excess to Fund Balance	945,968	599,694
Fund balance, January 1	917,603	447,997
	1,863,571	1,047,691
Decreased by utilized as anticipated revenue	556,227	130,088
Fund balance, December 31	\$ 1,307,344	917,603

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Statement of Revenues - Regulatory Basis

Current Fund

Year ended December 31, 2013

	<u>Budget</u>	<u>Realized</u>	<u>Excess (deficit)</u>
Fund balance anticipated	\$ 556,227	556,227	
Miscellaneous revenues:			
Licenses:			
Alcoholic beverages	11,000	13,140	2,140
Other	12,000	33,997	21,997
Fees and permits:			
Construction Code Official	142,000	210,293	68,293
Other	4,000	3,487	(513)
Fines and costs - Municipal Court	122,000	150,255	28,255
Interest and costs on taxes	90,000	108,810	18,810
Energy Receipts tax	14,022	14,022	
Consolidated Municipal Property Tax Relief	1,601,056	1,601,056	
Interest on investments and deposits	3,500	4,751	1,251
Fire Safety Fees	9,000	9,109	109
Recreation Fees	42,000	37,173	(4,827)
Recycling Tonnage Grant	20,445	20,445	
Drunk Driving Enforcement Fund	2,255	2,255	
Drunk Driving Enforcement Fund	2,013	2,013	
Alcohol Education and Rehabilitation Fund	648	648	
Clean Communities Program	27,085	27,085	
OEM Hazardous Mitigation	29,566	29,566	
Drive Sober/Get Pulled Over	4,400	4,400	
Bergen County Environmental Energy	400	400	
Title III	20,680	20,680	
Body Armor Grant	3,215	3,215	
General Capital Fund Balance	6,123	6,123	
Life Hazard Use Fees	8,800	12,708	3,908
Cable TV Franchise Fee	206,611	206,612	1
Recycling Revenue	100,000	98,627	(1,373)
Cell Tower Rent - Gaelic Communications	64,000	65,132	1,132
Sewer Fees	5,000		(5,000)
Total miscellaneous revenues	<u>2,551,819</u>	<u>2,686,002</u>	<u>134,183</u>
Receipts from delinquent taxes	<u>519,000</u>	<u>516,720</u>	<u>(2,280)</u>
Amount to be raised by taxes for support of municipal budget - local tax for municipal purposes	<u>15,784,067</u>	<u>15,993,203</u>	<u>209,136</u>
Budget totals	<u>\$ 19,411,113</u>	<u>19,752,152</u>	<u>341,039</u>

BOROUGH OF NEW MILFORD
Statement of Revenues - Regulatory Basis
Current Fund
Year ended December 31, 2013

Non budget revenue		<u>80,809</u>
		<u>\$ 19,832,961</u>
Allocation of current tax collections:		
Revenue from collections		\$ 48,196,732
Allocated to:		
School and County Taxes	\$ 32,684,755	
Local Open Space Tax	<u>78,774</u>	
		<u>32,763,529</u>
Balance for support of municipal budget		15,433,203
Add appropriated reserve for uncollected taxes		<u>560,000</u>
Amount for support of municipal budget		<u>\$ 15,993,203</u>
Fees and Permits - other:		
Borough Clerk		<u>3,487</u>
		<u>\$ 3,487</u>
Nonbudget revenue:		
Bergen County Utility Authority		1,259
Restitution		5,610
Housing		2,254
Mid-Bergen Rent		3,750
Bad Check Fees		175
Sale of Assets		9,392
Miscellaneous		26,532
Closeout of Old Accounts		<u>31,837</u>
		<u>\$ 80,809</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2013

	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations:</u>					
Operations within "CAPS"					
General Government					
General Administration:					
Salaries & Wages	\$ 32,500	32,500	30,835	1,665	
Mayor and Council:					
Salaries & Wages	14,500	14,500	14,500		
Other Expenses	7,500	7,500	7,500		
Municipal Clerk:					
Salaries & Wages	215,000	215,000	207,876	7,124	
Other Expenses	112,900	112,900	112,313	587	
Municipal Court:					
Salaries & Wages	128,200	128,200	112,260	15,940	
Other Expenses	11,300	11,300	10,942	358	
Financial Administration:					
Other Expenses	45,000	45,000	44,776	224	
Audit Services	37,500	37,500	37,500		
Collection of Taxes:					
Salaries & Wages	175,769	175,769	174,631	1,138	
Other Expenses	30,753	30,753	26,537	4,216	
Assessment of Taxes:					
Salaries & Wages	51,000	63,000	62,075	925	
Other Expenses	13,705	13,705	12,107	1,598	
Legal Services & Costs:					
Other Expenses	164,000	164,000	123,710	40,290	
Engineering Services & Costs:					
Other Expenses	12,000	12,000	11,188	812	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2013

<u>General Appropriations:</u>	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Public Defender:					
Salaries and wages	4,000	4,000	4,000		
Municipal Land Use Law (NJSA 40:55D-1)					
Planning Board:					
Other Expenses	13,500	27,500	22,959	4,541	
Zoning Board of Adjustment:					
Other Expenses	10,417	10,417	6,559	3,858	
Insurance					
Liability	57,000	57,000	44,625	12,375	
Liability (Bergen Joint Insurance Fund)	265,000	265,000	247,085	17,915	
Worker's Compensation Insurance (BJIF)	317,000	317,000	316,699	301	
Employee Group Insurance	1,950,349	1,950,349	1,738,951	211,398	
Health Benefit Waiver	26,000	26,000	22,986	3,014	
Police:					
Salaries & Wages	4,521,290	4,521,290	4,273,586	247,704	
Other Expenses	262,700	262,700	194,778	67,922	
Emergency Management Services:					
Other Expenses	6,895	6,895	5,128	1,767	
Fire:					
Salaries & Wages	2,900	2,900	2,050	850	
Misc. Other Expenses	106,000	106,000	100,756	5,244	
First Aid Organization	26,000	26,100	26,010	90	
Holy Name Hospital	10,200	10,200	10,200		
Fire Official:					
Salaries & Wages	15,600	15,600	14,919	681	
Other Expenses	2,000	2,000	1,785	215	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2013

	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations:</u>					
Public Works Functions					
Road Repairs and Maintenance:					
Salaries & Wages	1,617,430	1,617,430	1,346,005	271,425	
Other Expenses	237,260	245,260	240,071	5,189	
Garbage and Trash Removal:					
Other Expenses	867,000	867,000	775,167	91,833	
Recycling:					
Salaries & Wages	43,900	43,900	38,074	5,826	
Other Expenses	283,000	283,000	277,589	5,411	
Public Buildings and Grounds:					
Salaries & Wages	88,551	88,551	86,056	2,495	
Other Expenses	67,500	67,500	64,748	2,752	
Vehicle Maintenance:					
Other Expenses	33,000	35,000	30,764	4,236	
Health and Human Services					
Board of Health:					
Salaries & Wages	115,979	115,979	102,529	13,450	
Other Expenses	65,030	70,530	68,901	1,629	
New Milford Blood Bank:					
Other Expenses	50	50			50

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2013

	Budget	Budget after Modification and Transfers	Paid or Committed	Reserved	Unexpended Balance Cancelled
<u>General Appropriations:</u>					
Environmental Committee:					
Salaries & Wages	745	745	490	255	
Other Expenses	1,000	1,000	290	710	
Animal Control Services:					
Other Expenses	27,144	27,144	20,426	6,718	
Parks and Recreation Functions					
Recreation:					
Salaries & Wages	74,711	78,911	77,459	1,452	
Other Expenses	89,760	89,760	88,527	1,233	
Historical Commission					
Other Expenses	2,600	2,600	2,385	215	
Shade Tree Commission					
Other Expenses	8,600	8,600	5,645	2,955	
Senior Citizen Program:					
Salaries & Wages	120,000	126,000	125,237	763	
Miscellaneous Other Expenses	26,051	26,051	17,916	8,135	
Uniform Construction Code Official:					
Salaries and wages	127,194	128,894	128,073	821	
Other expenses	11,250	11,250	7,788	3,462	
Rent Leveling Board:					
Salaries & Wages	320	420	400	20	
Other expenses	3,851	3,851	3,257	594	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2013

<u>General Appropriations:</u>	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Unclassified:					
Celebration of Public Events:					
Other Expenses	5,464	6,064	5,542	522	
Utility Expenses and Bulk Purchases:					
Electricity	144,000	144,000	115,757	28,243	
Street Lighting	125,000	125,000	99,750	25,250	
Telephone	60,410	64,410	60,913	3,497	
Water	55,000	55,000	47,500	7,500	
Gas & Oil	150,000	150,000	117,796	32,204	
Fire Hydrants	185,253	185,253	180,108	5,145	
Salary and Wage Adjustment	75,000	16,800		16,800	
Total Operations within "CAPS"	13,360,531	13,360,531	12,156,989	1,203,542	
Detail:					
Salaries & Wages	7,424,589	7,390,389	6,801,055	589,334	
Other Expenses	5,935,942	5,970,142	5,355,934	614,208	
Total	13,360,531	13,360,531	12,156,989	1,203,542	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2013

<u>General Appropriations:</u>	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Statutory Expenditures:					
Contribution to:					
Social Security System (O.A.S.I.)	328,653	328,653	328,653		
Public Employees' Retirement System	335,000	335,000	314,444	20,556	
Police and Firemen's Retirement System of NJ	942,837	942,837	942,837		
DCRP	1,000	1,000	510	490	
Unemployment	32,000	32,000	32,000		
Total Deferred Charges and Statutory Expenditures	<u>1,639,490</u>	<u>1,639,490</u>	<u>1,618,444</u>	<u>21,046</u>	
Total General Appropriations for Municipal Purposes within "CAPS"	<u>15,000,021</u>	<u>15,000,021</u>	<u>13,775,433</u>	<u>1,224,588</u>	
Operations - Excluded from "CAPS"					
Bergen County Utilities Authority					
Service Charges - Operating	1,009,699	1,009,699	1,009,698	1	
Service Charges - Debt Service	462,067	462,067	462,067		
Maintenance of Free Public Library	702,000	702,000	687,069	14,931	
LOSAP	75,000	75,000		75,000	
Employee Group Insurance - Other Expenses	94,651	94,651		94,651	
Total Other Operations - Excluded from "CAPS"	<u>2,343,417</u>	<u>2,343,417</u>	<u>2,158,834</u>	<u>184,583</u>	

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2013

<u>General Appropriations:</u>	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Public and Private Programs Offset by Revenues					
Drunk Driving Enforcement Fund					
Police					
Other Expenses	2,255	2,255	2,255		
Bergen County Environmental Energy	400	400	400		
Alcohol Education Rehabilitation	648	648	648		
Body Armor Replacement Program	3,215	3,215	3,215		
Drive Sober Get Pulled Over	4,400	4,400	4,400		
Title III	20,680	20,680	20,680		
Recycling Tonnage Grant	20,445	20,445	20,445		
Clean Communities	27,085	27,085	27,085		
Drunk Driving Enforcement Fund	2,013	2,013	2,013		
OEM Hazard	29,566	29,566	29,566		
Total Public and Private Programs Offset by Revenues	110,707	110,707	110,707		
Total Operations-Excluded from "CAPS"	2,454,124	2,454,124	2,269,541	184,583	
Detail:					
Salaries and Wages					
Other Expenses	2,454,124	2,454,124	2,269,541	184,583	
Total	2,454,124	2,454,124	2,269,541	184,583	
Capital Improvements - Excluded from "CAPS"					
Capital Improvement Fund	235,255	235,255	235,255		
Total Capital Improvements - Excluded from "CAPS"	235,255	235,255	235,255		

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2013

<u>General Appropriations:</u>	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Municipal Debt Service-Excluded from "CAPS"					
Payment of Bond Principal	720,000	720,000	720,000		
Payment of Bond Anticipation Notes and Capital Notes	89,628	89,628	89,628		
Interest on Bonds	135,000	135,000	134,252		748
Interest on Notes	58,000	58,000	52,258		5,742
NJEIT Loans:					
Repayments for Principal and Interest	79,085	79,085	50,015		29,070
<u>Total Municipal Debt Service-Excluded from "CAPS"</u>	<u>1,081,713</u>	<u>1,081,713</u>	<u>1,046,153</u>		<u>35,560</u>
Deferred Charges:					
Emergency Authorizations	75,000	75,000	75,000		
Special Emergency Authorizations- 5 years (N.J.S. 40A:4-55)	5,000	5,000	5,000		
<u>Total Deferred Charges::</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>		
<u>Total General Appropriations for Municipal Purposes Excluded from "CAPS"</u>	<u>3,851,092</u>	<u>3,851,092</u>	<u>3,630,949</u>	<u>184,583</u>	<u>35,560</u>

BOROUGH OF NEW MILFORD

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2013

<u>General Appropriations:</u>	<u>Budget</u>	<u>Budget after Modification and Transfers</u>	<u>Paid or Committed</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
Subtotal General Appropriations	18,851,113	18,851,113	17,406,382	1,409,171	35,560
Reserve for Uncollected Taxes	<u>560,000</u>	<u>560,000</u>	<u>560,000</u>		
Total General Appropriations	<u>\$ 19,411,113</u>	<u>19,411,113</u>	<u>17,966,382</u>	<u>1,409,171</u>	<u>35,560</u>

Adopted Budget 19,327,369
 Amended per N.J.S.A. 40A: 4-87 83,744
\$ 19,411,113

Encumbrances \$	539,242
Deferred Charges	80,000
Reserve for Uncollected Taxes	560,000
Federal and State Grant Fund	110,707
Cash Disbursements	<u>16,676,433</u>
	<u>\$ 17,966,382</u>

See accompanying notes to financial statements

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BOROUGH OF NEW MILFORD

Comparataive Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2013 and 2012

<u>Assets</u>	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Animal License Fund:			
Cash	B-1	\$ 24,589	
Due from the State of NJ	B-3	2	20,273
		<u>24,591</u>	<u>20,273</u>
Other Trust Fund:			
Cash	B-1	<u>618,900</u>	<u>523,010</u>
Unemployment Compensation Insurance Fund:			
Cash	B-1	<u>36,263</u>	<u>20,481</u>
Medical Claims Trust:			
Cash	B-1	<u>18,534</u>	<u>57,848</u>
Community Development Trust Fund:			
Cash	B-1	<u>8</u>	<u>8</u>
Open Space Trust Fund:			
Cash	B-1	29,973	264,267
Due From Current Fund	B-9	126	97
		<u>30,099</u>	<u>264,364</u>
Recreation Trust Fund:			
Cash	B-1	<u>4,876</u>	<u>493</u>
Emergency Services Volunteer Length of Service Award Program			
Cash in Plan	B-1	732,785	609,371
Contribution Receivable	B-13	62,938	67,500
		<u>795,723</u>	<u>676,871</u>
		<u>\$ 1,528,994</u>	<u>1,563,348</u>

BOROUGH OF NEW MILFORD
Comparataive Balance Sheet - Regulatory Basis

Trust Funds

December 31, 2013 and 2012

<u>Liabilities and Reserves</u>		<u>2013</u>	<u>2012</u>
Animal License Fund:			
Due to State of New Jersey	B-3		16
Due to Current Fund	B-9	10,427	7,117
Reserve for Animal License Fund Expenditures	B-2	14,164	13,140
		<u>24,591</u>	<u>20,273</u>
Other Trust Fund:			
Due to Current Fund	B-9	7,747	119
Reserve for Various Deposits	B-8	611,153	522,891
		<u>618,900</u>	<u>523,010</u>
Unemployment Compensation Insurance Fund:			
Reserve for Unemployment Compensation	B-5	32,851	18,914
Due to State of NJ	B-6	3,412	1,567
		<u>36,263</u>	<u>20,481</u>
Medical Claims Trust:			
Reserve for Payment of Medical Claims	B-7	18,534	57,848
Community Development Trust Fund:			
Due to County of Bergen	B-11	7	7
Reserve for Community Development Grant Expenditures	B-10	1	1
		<u>8</u>	<u>8</u>
Open Space Trust Fund:			
Due to General Capital fund	B-8		189,633
Reserve for Open Space Trust Expenditures	B-4	30,099	74,731
		<u>30,099</u>	<u>264,364</u>
Recreation Trust Fund:			
Reserve for Expenditures	B-12	4,876	493
Emergency Services Volunteer Length of Service Award Program			
Net Assets Available for Benefits	B-14	795,723	676,871
		<u>795,723</u>	<u>676,871</u>
		<u>\$ 1,528,994</u>	<u>1,563,348</u>

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2013 and 2012

<u>Assets</u>	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
Cash and Investments	C-2,C-3	\$ 4,926,834	1,014,620
Deferred charges to future taxation:			
Funded	C-4	4,718,312	5,714,025
Unfunded	C-5	8,543,185	3,942,813
Grants and Contributions Receivable:			
Community Development Block Grant	C-7	173,000	215,909
Bergen County Open Space Trust Fund	C-8	303,979	258,979
State Department of Transportation	C-9	150,000	198,875
Township of Teaneck	C-10		32,853
Homeowner's Flood Insurance Proceeds	C-11	54,730	
New Jersey Environmental Infrastructure			
Loans Receivable	C-12		407,508
Interfunds Receivable:			
Open Space Trust Fund	C-6		189,633
		<u>\$ 18,870,040</u>	<u>11,975,215</u>

BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

General Capital Fund

December 31, 2013 and 2012

	<u>Ref.</u>	<u>2013</u>	<u>2012</u>
<u>Liabilities, Reserves and Fund Balance</u>			
General Serial Bonds Payable	C-14	\$ 3,875,000	4,595,000
New Jersey Environmental Infrastructure Trust:			
Fund Loan Payable	C-15	308,312	564,025
Trust Loan Payable	C-16	535,000	555,000
Bond Anticipation Notes	C-17	7,980,000	3,654,000
Improvement authorizations:			
Funded	C-18	200,951	795,166
Unfunded	C-18	4,456,973	897,294
Due to Current Fund	C-13	1,647	729
Capital Improvement Fund	C-19	16,405	6,250
Reserve for:			
Legislative Grant	C-20	30,000	30,000
Grants Receivable	C-21	277,000	447,637
Payment of Notes	C-22	321,938	
Contracts Payable	C-23	835,833	424,038
Green Acres	C-24	45	
Fund Balance	C-1	<u>30,936</u>	<u>6,076</u>
		<u>\$ 18,870,040</u>	<u>11,975,215</u>

There were bonds and notes authorized but not issued on December 31, 2013 and 2012 in the amount of \$785,778 and \$758,357 respectively (Exhibit C-25)

See accompanying notes to financial statements.

BOROUGH OF NEW MILFORD

Schedule of Capital Fund Balance - Regulatory Basis

General Capital Fund

Year ended December 31, 2013

	<u>2013</u>	<u>2012</u>
Balance - December 31, 2012	\$ 6,076	29,511
Increased by:		
Premium on Sale of Bonds and Notes	<u>30,983</u>	<u>6,076</u>
	37,059	35,587
Decreased by:		
Utilized as Budget Revenue	<u>6,123</u>	<u>29,511</u>
Balance - December 31, 2013	<u>\$ 30,936</u>	<u>6,076</u>

See accompanying notes to financial statements

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BOROUGH OF NEW MILFORD

Comparative Balance Sheet - Regulatory Basis

Goodwill Fund

December 31, 2013 and 2012

		<u>2013</u>	<u>2012</u>
	<u>Assets</u>		
Cash - Goodwill	E-1	\$ <u>12,362</u>	<u>12,011</u>
		\$ <u>12,362</u>	<u>12,011</u>
	<u>Liabilities</u>		
Reserve for Goodwill	E-3	\$ <u>12,362</u>	<u>12,011</u>
		\$ <u>12,362</u>	<u>12,011</u>

See accompanying notes to the financial statements.

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BOROUGH OF NEW MILFORD

Comparative Statement of General Fixed Assets - Regulatory Basis

General Fixed Assets Account Group

December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
General fixed assets:		
Land	\$ 36,878,288	35,224,300
Buildings	4,646,000	4,646,000
Vehicles and equipment	<u>4,764,468</u>	<u>4,640,721</u>
Investment in general fixed assets	<u>\$ 46,288,756</u>	<u>44,511,021</u>

See accompanying notes to financial statements.

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BOROUGH OF NEW MILFORD, N. J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principles generally accepted in the United States of America (GAAP).

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

A. Reporting Entity

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

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

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

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

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

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

The Borough has the following funds and account groups:

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

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

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

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

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

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

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

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

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

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

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

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

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

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

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

Basis of Accounting

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

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

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

Basis of Accounting, (continued)

of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on 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 tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

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

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

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

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

General Capital Fund
Trust Funds

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

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

Basis of Accounting, (continued)

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2013, the Mayor and Council approved additional revenues and appropriations of \$83,744 in accordance with N.J.S.A. 40A:4-87 along with several budget transfers.

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

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

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

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

Basis of Accounting, (continued)

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

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

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

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

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

Tax Appeals and Other Contingent Losses - Losses arising from tax appeals and other contingent losses are recognized at the time a decision is rendered by an administrative or judicial body and not when it is probable that a loss has been incurred and the amount of such loss can be reasonably estimated.

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

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

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

Basis of Accounting, (continued)

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

No depreciation has been provided for in the financial statements.

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

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

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

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

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

C. Basic Financial Statements

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 2: CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2013 and 2012, \$-0- of the Borough's bank balance of \$9,826,757 and \$4,673,966, respectively, was exposed to custodial credit risk.

Investments

Investment Rate Risk

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

Credit Risk

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

Concentration of Credit Risk

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

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

Unaudited Investments

As more fully described in Note 15, the Borough has created a Length of Service Award Program (LOSAP) for emergency service volunteers. The LOSAP investments are similar to those allowed in a deferred compensation program as specified in NJSA 43:15B-1 et. seq. except that all investments are retained in the name of the Borough. All investments are valued at fair value. In accordance with NJAC 5:30-14.37, the investments are maintained by Lincoln Financial Group, which is an authorized provider approved by the Division of Local Government Services. The balance in the account on December 31, 2013 and 2012 amounted to \$732,785 and \$609,371, respectively.

The following investments represent 5% or more of the total invested with Lincoln Financial Group on December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Fixed Income	\$244,961	\$235,838
DWS EQ 500 Index		204,911
Fidelity VIP	72,346	51,088
LVIP Fund	350,357	41,534
All Others	<u>65,121</u>	<u>76,000</u>
Total	<u>\$732,785</u>	<u>\$609,371</u>

NOTE 3: TAXES RECEIVABLE

Receivables at December 31, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Property Taxes	<u>\$400,482</u>	<u>\$543,075</u>

In 2013 and 2012, the Borough collected \$516,720 and \$464,137 from delinquent taxes, which represented 95% and 95% of the prior year delinquent tax receivable balances.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 4: MUNICIPAL DEBT

Long-term debt as of December 31, 2013 consisted of the following:

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds Payable - General Obligation Debt	\$4,595,000	\$	\$720,000	\$3,875,000	\$745,000
Deferred PERS/PFRS Pension Contribution	466,670		43,216	423,454	25,630
Other Liabilities:					
Compensated Absences Payable	2,911,757	443,543	474,000	2,881,300	
New Jersey Environmental Infrastructure Trust Loans Payable	<u>1,119,025</u>	_____	<u>275,713</u>	<u>843,312</u>	<u>51,335</u>
	<u>\$9,092,452</u>	<u>\$443,543</u>	<u>\$1,512,929</u>	<u>\$8,023,066</u>	<u>\$821,965</u>

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

The Borough's debt is summarized as follows:

	<u>Year 2013</u>	<u>Year 2012</u>	<u>Year 2011</u>
<u>Issued</u>			
General:			
Bonds, Notes and Loans	<u>\$12,698,312</u>	<u>\$9,368,025</u>	<u>\$9,419,935</u>
Total Issued	12,698,312	9,368,025	9,419,935
<u>Less</u>			
Excess Proceeds of Bond Anticipation Notes	225,593		
Funds Temporarily Held to Pay Bonds and Notes	<u>321,938</u>	<u>469,544</u>	<u>265,307</u>
Net Debt Issued	12,150,781	8,898,481	9,154,628
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	<u>785,788</u>	<u>758,357</u>	<u>575,357</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$12,936,569</u>	<u>\$9,656,838</u>	<u>\$9,729,985</u>

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 4: MUNICIPAL DEBT, (continued)

SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statutory net debt of .708%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District	\$3,015,000	\$3,015,000	\$0
General Debt	<u>13,484,100</u>	<u>547,531</u>	<u>12,936,569</u>
	<u>\$16,499,100</u>	<u>\$3,562,531</u>	<u>\$12,936,569</u>

Net Debt \$12,936,569 divided by equalized valuation basis per N.J.S. 40A:2-2 as amended, \$1,827,748,689 = .708%.

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

3 ½% of Equalized Valuation Basis (Municipal)	\$63,971,204
Net Debt	<u>12,936,569</u>
Remaining Borrowing Power	<u>\$51,034,635</u>

The Borough's long term debt consisted of the following at December 31, 2013:

Paid by Current Fund:

<u>General Obligation Bonds</u>	<u>Amount Outstanding</u>
\$3,085,000 General Obligation Bonds - with an interest rate of 3.50% issued June 15, 2005, due through February 1, 2015	\$870,000
\$4,160,000 General Improvement Bonds - with an interest rate of 2.00% to 3.50% issued May 1, 2009, due through May 1, 2021	<u>3,005,000</u>
	<u>\$3,875,000</u>

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 4: MUNICIPAL DEBT, (continued)

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

General Capital

\$575,000, 2010 Trust Loan, due in annual installments of \$20,000 to \$45,000 through August 1, 2030, interest at 5.00%	\$535,000
\$616,250, 2010 Fund Loan, due in annual installments of \$10,445 to \$20,890 through August 1, 2030, no interest	<u>308,312</u>
	<u>\$843,312</u>

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

<u>Year</u>	<u>Total</u>	<u>New Jersey Environmental Infrastructure Trust Loans</u>		<u>General Serial Bonds</u>	
		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$936,023	\$51,335	\$26,750	\$745,000	\$112,938
2015	956,454	51,335	25,750	790,000	89,369
2016	389,398	56,335	24,750	235,000	73,313
2017	514,073	56,335	23,500	370,000	64,238
2018		56,334	22,250	395,000	52,269
2019-2023	1,799,388	296,638	91,000	1,340,000	71,750
2024-2028	236,000	185,000	51,000		
2029-2030	<u>96,750</u>	<u>90,000</u>	<u>6,750</u>		
	<u>\$5,453,939</u>	<u>\$843,312</u>	<u>\$271,750</u>	<u>\$3,875,000</u>	<u>\$463,877</u>

At December 31, 2013 and 2012, the Borough had authorized but not issued debt of \$758,778 and \$758,357, respectively.

NOTE 5: BOND ANTICIPATION NOTES

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 5. BOND ANTICIPATION NOTES, (continued)

On December 31, 2013, the Borough had \$7,980,000 in outstanding bond anticipation notes, of which \$3,500,000 mature on April 17, 2014 at 1.00% and \$4,480,000 mature on April 17, 2014 at 1.25%.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2013.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Chase	\$2,773,000	\$	\$2,773,000	\$0
Valley National Bank	881,000		881,000	0
Janney Montgomery Scott, LLC		3,500,000		3,500,000
TD Securities, LLC		<u>4,480,000</u>		<u>4,480,000</u>
	<u>\$3,654,000</u>	<u>\$7,980,000</u>	<u>\$3,654,000</u>	<u>\$7,980,000</u>

NOTE 6: SCHOOL TAXES

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

NOTE 7: PENSION PLANS

Description of Systems:

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemens' Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemens' Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 7: PENSION PLANS, (continued)

Description of Systems, (continued)

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to certain qualified members. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 7: PENSION PLANS, (continued)

Description of Systems, (continued)

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

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

Police and Firemens' Retirement System (PFRS)

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Special retirement is permitted to members who have 25 or more years of creditable service in the system. Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 7: PENSION PLANS, (continued)

Description of Systems, (continued)

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 for PERS and PFRS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Divisions of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Contribution Requirements

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

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

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>
December 31, 2013	\$314,444	\$942,837
December 31, 2012	359,507	790,682
December 31, 2011	326,867	865,832

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waiver participation in the DCRP for that office or position. The waiver is irrevocable.

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 7: PENSION PLANS, (continued)

Defined Contribution Retirement Program, (continued)

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS.

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

The Borough's contribution to the DCRP for each year was as follows:

<u>Year</u>	<u>Amount</u>
December 31, 2013	\$490
December 31, 2012	629
December 31, 2011	907

NOTE 8: FUND BALANCES APPROPRIATED

Fund balances at December 31, 2013 which were appropriated and included as anticipated revenue in their own respective funds for the year ending December 31, 2014 were as follows:

Current Fund	<u>\$717,000</u>
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BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 9: FIXED ASSETS

The following is a summary of changes in the general fixed asset account group for the year 2013.

	<u>Dec.31, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Dec.31, 2013</u>
Land	\$35,224,300	\$1,653,988	\$	\$36,878,288
Buildings and Improvements	4,646,000			4,646,000
Machinery and Equipment	<u>4,640,721</u>	<u>287,736</u>	<u>163,989</u>	<u>4,764,468</u>
	<u>\$44,511,021</u>	<u>\$1,941,724</u>	<u>\$163,989</u>	<u>\$46,288,756</u>

NOTE 10: ACCRUED SICK AND VACATION BENEFITS

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

It is estimated that the current cost of such unpaid compensation, which is unaudited, would approximate \$2,881,300. This amount is considered material to the financial statements, is not reported either as an expenditure or liability.

NOTE 11: INTERFUND BALANCES AND ACTIVITY

Balances due to/from other funds at December 31, 2013 consist of the following:

\$126	Due to the Open Space Trust Fund from the Current Fund for added/omitted taxes collected not turned over.
10,427	Due to the Current Fund from the Animal License Trust Fund for statutory excess.
7,747	Due to the Current Fund from the Other Trust Fund for FEMA reimbursements in excess of expenditures incurred in the Snow Removal Trust Fund.
<u>1,647</u>	Due to the Current Fund from the General Capital Fund for the remaining balance of interest earned but not transferred.
<u>\$19,947</u>	

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 12: RISK MANAGEMENT

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2013 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

The Borough has established a medical claims trust fund to fund certain deductibles associated with the Borough's health, prescription and vision plans, a group insurance benefit plan for its employees and their eligible dependents. As of December 31, 2013 and 2012, the Borough has available in the Medical Claims Trust Fund \$18,534 and \$57,848, respectively, for the payment of these claims.

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

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

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

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 12: RISK MANAGEMENT, (continued)

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

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

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

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

<u>Year Ended</u> <u>December 31,</u>	<u>Borough</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2013	\$32,000	\$9,457	\$27,545	\$32,851
2012	32,000	9,567	26,706	18,914
2011	31,000	9,155	36,125	4,040

NOTE 13: TAXES COLLECTED IN ADVANCE

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

	<u>Balance</u> <u>Dec 31, 2013</u>	<u>Balance</u> <u>Dec 31, 2012</u>
Prepaid Taxes	<u>\$624,048</u>	<u>\$310,615</u>
Cash Liability for Taxes Collected in Advance	<u>\$624,048</u>	<u>\$310,615</u>

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

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

The Borough of New Milford Length of Service Award Plan (the Plan) was created by a Borough ordinance adopted on December 5, 2000 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of New Milford approved the adoption of the Plan at the general election held on November 2, 1999.

The first year of eligibility for entrance into the Plan was calendar year 2001. The tax deferred income benefits for emergency services volunteers, consisting of the Volunteer Fire Department and the First Aid Organization come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.

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 \$1,353 and \$1,350 for 2013 and 2012, respectively, for each eligible Volunteer Fire Department and Volunteer Ambulance Corps member into the Plan.

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

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

Vesting and Benefits

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

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 14: EMERGENCY SERVICES VOLUNTEER LENGTH OF SERVICE AWARD PLAN (LOSAP), (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 15: COMMITMENTS AND CONTINGENT LIABILITIES

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

NOTE 16: CLAIMS AND JUDGEMENTS

The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2013, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds on the overall financial position of the Borough.

NOTE 17: OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Borough provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost.

Plan Description

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

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 17: OTHER POST EMPLOYMENT BENEFITS, (continued)

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 2013, the Borough contributed \$304,462 to the plan.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$780,000
Interest on Net OPEB Obligation	40,000
Adjustment to Annual Required Contribution	<u>(50,000)</u>
Total (Annual OPEB Cost (Expense))	770,000
Contributions Made	<u>(304,462)</u>
Increase in Net OPEB Obligation	465,538
Net OPEB Obligation - Beginning of Year	<u>1,336,580</u>
Net OPEB Obligation - End of Year	<u><u>\$1,802,118</u></u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years 2013, 2012 and 2011 were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2013	\$780,000	39.03%	\$1,802,118
2012	780,000	39.74%	1,336,580
2011	668,260	40.36%	876,580

BOROUGH OF NEW MILFORD, N.J.
Notes to Financial Statements
Years Ended December 31, 2013 and 2012
(continued)

NOTE 17: OTHER POST EMPLOYMENT BENEFITS, (continued)

Funded Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$8,590,000, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,590,000. The covered payroll (annual payroll of active employees covered by the plan) was \$7,920,000, and the ratio of the UAAL to the covered payroll was 108 percent.

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

Actuarial Methods and Assumptions

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

In the December 31, 2012 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 9.5 percent initially, reduced by decrements to an ultimate rate of 0.5 percent per year through year 10 to 5 percent thereafter. Both rates included a 0 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, 2012 was 30 years.

NOTE 18: SUBSEQUENT EVENT

The Borough has evaluated subsequent events through June 13, 2014, the date which the financial statements were available to be issued and no other items were noted for disclosure.

SUPPLEMENTARY DATA

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BOROUGH OF NEW MILFORD

Supplementary Data, Continued

Officials in Office and Surety Bonds

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

<u>Name</u>	<u>Title</u>	<u>Amount of bond</u>	<u>Corporate surety</u>
Ann Subrizi	Mayor		
Randi Duffie	Council President		
Dominic Colucci	Councilman		
Diego Robalino	Councilman		
Austin Ashley	Councilman		
Hedy Grant	Councilwoman		
Michael Putrino	Councilman		
Diana McLeod-Lindner	Chief Financial Officer	\$ 1,000,000	(A)
Christine Demiris	Borough Administrator/Clerk		
Denise Amoroso	Tax Collector/Assistant Treasurer	1,000,000	(A)
Ann Melikian	Deputy Tax Collector		
James Taormina	Construction Official		
Alan Silverman	Fire Subcode Official		
Maria Sapuppo	Zoning Official		
Scott Mooney	Municipal Prosecutor		
Susan Armbruster-Stucky	Municipal Court Administrator	1,000,000	(A)
Kevin Kelly	Municipal Court Judget - from 5/09	1,000,000	(A)
Maureen Kaman	Assessor		
James Tufaro	Fire Chief		
Frank Papapietro	Chief of Police		
Michael Calamari	Superintendent of Public Works		
Alan Silverman	Fire Official		
John Bigger	Recreation Director		
Donna Foxen	Social Services Director		

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

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

BOROUGH OF NEW MILFORD

Supplementary Data

Comparative Schedule of Tax Rate Information

		<u>2013</u>	<u>2012</u>	<u>2011</u>
Tax rate	\$	3.086	2.448	2.385
Apportionment of tax rate:				
Municipal		1.003	0.774	0.755
Municipal Open Space		0.005	0.005	0.004
County		0.247	0.218	0.210
Local school		<u>1.831</u>	<u>1.451</u>	<u>1.416</u>
Assessed valuation:				
2013			\$ 1,562,954,000	
2012			1,945,476,473	
2011			1,961,927,237	

Comparison of Tax Levies and Collections Currently

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

<u>Year</u>	<u>Tax levy</u>	<u>Currently</u>	
		<u>Cash collections</u>	<u>Percentage of collection</u>
2013	\$ 48,735,123	48,196,732	98.90%
2012	47,751,598	46,943,670	98.31%
2011	46,925,810	46,236,569	98.53%

Delinquent Taxes and Tax Title Liens

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

<u>Year</u>		<u>Amount of tax title liens</u>	<u>Amount of delinquent taxes</u>	<u>Total delinquent</u>	<u>Percentage of tax levy</u>
2013	\$	13,020	400,482	413,502	0.85%
2012		11,785	488,794	500,579	1.05%
2011		10,353	526,266	536,619	1.14%

BOROUGH OF NEW MILFORD

Supplementary Data, Continued

Property Acquired by Tax Title Lien Liquidation

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

2013	\$	0
2012		0
2011		0

Comparative Schedule of Fund Balances

	<u>Year</u>	<u>Balance,</u> <u>Dec.31</u>	<u>Utilized</u> <u>in budget of</u> <u>succeeding</u> <u>year</u>
Current Fund	2013	\$ 1,307,344	717,000
	2012	917,603	556,227
	2011	447,997	130,088
	2010	335,965	125,200
	2009	550,536	331,500

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BOROUGH OF NEW MILFORD
Schedule of Cash - Collector-Treasurer

Current Fund

Year ended December 31, 2013

		<u>Current Fund</u>
Balance - December 31, 2012	\$	2,635,933
Increased by receipts:		
Taxes receivable	\$ 48,266,087	
Non-budget revenue	80,809	
Due from State of New Jersey - Senior Citizens' and Veterans' Receivable	128,934	
Revenue Accounts Receivable	2,575,142	
Grants Receivable	1,658,737	
Prepaid taxes	624,048	
Petty Cash	1,450	
Miscellaneous Reserves and Payables	12,643	
Tax overpayments	66,653	
Interfunds	1,098	
Unappropriated Grants	<u>22,527</u>	
		<u>53,438,128</u>
		56,074,061
Decreased by disbursements:		
2013 Budget Appropriations	16,676,433	
2012 Appropriation Reserves	813,346	
Open Space Tax	78,745	
County Taxes Payable	3,872,072	
Local District School Taxes Payable	28,810,572	
Interfunds	97	
Miscellaneous Reserves and Payables	24,309	
Refund of Tax Overpayments	66,172	
Petty Cash	1,450	
Prior Year Grant Encumbrances Paid	17,266	
Appropriated Grant Reserves	1,667,524	
Refund of Prior Year Taxes and Revenues	<u>70,758</u>	
		<u>52,098,744</u>
Balance - December 31, 2013	\$	<u><u>3,975,317</u></u>

Exhibit A-5

BOROUGH OF NEW MILFORD

Schedule of Change Funds

Current Fund

Year ended December 31, 2013

Balance - December 31, 2012	\$	<u>450</u>
Balance - December 31, 2013	\$	<u><u>450</u></u>
<u>Analysis of Balance</u>		
Tax Collector		200
Borough Clerk		25
Municipal Court		200
Records Department		<u>25</u>
	\$	<u><u>450</u></u>

Exhibit A-6

Schedule of Petty Cash Funds

Current Fund

Year ended December 31, 2013

Increased by:		
Cash Disbursements	\$	<u>1,450</u>
Decreased by:		
Cash Receipts	\$	<u><u>1,450</u></u>

BOROUGH OF NEW MILFORD

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

Current Fund

Year ended December 31, 2013

Balance - December 31, 2012		\$	10,026
Increased by:			
Senior citizens' deductions per tax			
billings	\$	21,500	
Veterans' deductions per tax billings		113,500	
Senior citizens' and veterans' deductions			
allowed by Tax Collector		<u>1,750</u>	
			<u>136,750</u>
			146,776
Decreased by:			
Cash received			<u>128,934</u>
Balance - December 31, 2013		\$	<u><u>17,842</u></u>

BOROUGH OF NEW MILFORD

Schedule of Taxes Receivable and Analysis
of 2013 Property Tax Levy

Current Fund

Year ended December 31, 2013

Year	Balance, Dec.31, 2012	2013 Levy	Collected 2012	Collected 2013	Senior Citizens' and Veterans' Deductions Allowed	Remitted or cancelled	Transferred to Tax Title Liens	Balance, Dec.31, 2013
2010	\$ 7,715					7,715		
2011	14,001			7,429		6,572		
2012	521,359			509,291				12,068
	543,075			516,720		14,287		12,068
2013		48,735,123	310,615	47,749,367	136,750	148,742	1,235	388,414
	\$ 543,075	48,735,123	310,615	48,266,087	136,750	163,029	1,235	400,482
Tax yield:								
		General purpose tax			\$ 48,659,813			
		Added taxes (R.S. 54:4-63.1 et seq.)			75,310			
					\$ 48,735,123			
Tax levy:								
		Local district school tax (abstract)			\$ 28,810,572			
		County tax (abstract)			3,868,070			
		County tax for added taxes			6,113			
		Local tax for municipal purposes (abstract)			15,784,067			
		Local open space tax			78,648			
		Local open space added tax			126			
		Additional tax levy			187,527			
					\$ 48,735,123			

BOROUGH OF NEW MILFORD

Schedule of Tax Title Liens

Current Fund

Year ended December 31, 2013

Balance - December 31, 2012	\$	11,785
Increased by:		
Transfer from Taxes Receivable		<u>1,235</u>
Balance - December 31, 2013	\$	<u><u>13,020</u></u>

BOROUGH OF NEW MILFORD

Schedule of Revenue Accounts Receivable

Current Fund

Year ended December 31, 2013

	Balance, Dec.31, <u>2012</u>	<u>Accrued</u>	<u>Collected</u>	Balance, Dec.31, <u>2013</u>
Clerk:				
Licenses:				
Alcoholic beverages	\$	13,140	13,140	
Other	1,702	32,295	33,997	
Fees and permits		3,487	3,487	
Construction Code Official - fees and permits		210,293	210,293	
Municipal Court - fines and costs	9,742	153,575	150,255	13,062
Interest and costs on taxes		108,810	108,810	
Interest on investments and deposits		4,751	4,751	
Energy Receipts Tax		14,022	14,022	
Consolidated Municipal Property Tax Relief Aid		1,601,056	1,601,056	
Recycling Tonnage Grant		20,445	20,445	
Drunk Driving Enforcement Fund		2,255	2,255	
Drunk Driving Enforcement Fund		2,013	2,013	
Alcohol Education Rehabilitation fund		648	648	
Clean Communities Program		27,085	27,085	
OEM Hazardous Mitigation		29,566	29,566	
Drive Sober/Get Pulled Over		4,400	4,400	
Bergen County Environmental Energy		400	400	
Title III		20,680	20,680	
Body Armor Grant		3,215	3,215	
Fire Safety Act Fees		9,109	9,109	
Recreation fees	9,498	27,675	37,173	
General Capital Fund Balance		6,123	6,123	
Life Hazard Use Fees		12,708	12,708	
Cable TV Franchise Fee		206,612	206,612	
Recycling Revenue		98,627	98,627	
Cell Tower Rent - Gaelic Communications		65,132	65,132	
	\$ 20,942	2,678,122	2,686,002	13,062
		Grants Receivable	110,707	
		Interest on Investments	153	
		Cash Receipts	2,575,142	
		\$	2,686,002	

BOROUGH OF NEW MILFORD

Schedule of 2012 Appropriation Reserves

Current Fund

Year ended December 31, 2013

	Balance, Dec. 31, <u>2012</u>	Balance After Transfer or Modi- fication	Paid or <u>Charged</u>	Balance <u>Lapsed</u>
Salaries and wages within "CAPS":				
General Administration	\$ 429	429		429
Municipal Clerk	499	599	589	10
Municipal Court	7,481	7,481	895	6,586
Assessment of Taxes	53	153	124	29
Collection of Taxes	4,206	4,206		4,206
Public Works		76,819	11,434	65,385
Public Buildings and Grounds	780	780	393	387
Fire Department	850	850		850
Fire Official	128			
Uniform Safety		328	280	48
Police Department	25,497	168,797	168,797	
Police		34,202	12,560	21,642
Road Repairs and Maintenance	76,818			
Board of Health	2,190	2,190	(1,750)	3,940
Environmental Committee	797	70	70	
Recreation	4,053	4,053	3,084	969
Recycling	28,706	9,398		9,398
Rent leveling	250	250		250
Zoning Board of Adjustment	95	95	95	
Senior Citizen Program	18,896	18,896	1,948	16,948
Environmental Committee	70			
Salary and Wage Adjustment	143,300			
Code Enforcement		597		597
Other expenses within "CAPS":				
Financial Administration	8,039	8,039	559	7,480
Assessment of taxes	7,291	39,417	29,841	9,576
Collection of taxes	2,910	3,630	494	3,136
Legal	44,461	44,461	4,199	40,262
Municipal Clerk	2,624	12,213	2,203	10,010
Engineering	2,421	2,421	233	2,188
Public Buildings and Grounds	3,179	6,530	2,746	3,784
Planning Board	2,164	4,798	1,506	3,292
Zoning Board of Adjustment	3,974	4,074	896	3,178
Municipal Court	4,514	5,534	1,035	4,499
Vehicle Maintenance	8,088	12,010	3,877	8,133
Uniform Safety		775	135	640
Liability	10,329	10,329	1,000	9,329
Liability Insurance (Bergen Joint Insurance Fund)	28,649	64,749	52,173	12,576
Worker's Compensation Insurance	5,568	72,568	69,417	3,151
Employee Group Insurance	62,504	2,504	(7,252)	9,756
Fire Department	830	12,782	9,345	3,437
Fire Official	840			

BOROUGH OF NEW MILFORD

Schedule of 2012 Appropriation Reserves

Current Fund

Year ended December 31, 2013

	Balance, Dec.31, <u>2012</u>	Balance After Transfer or Modi- fication	Paid or Charged	Balance <u>Lapsed</u>
Public Works		82,969	37,515	45,454
First Aid Organization		3,397	2,547	850
Environmental Committee	470	470		470
Police	17,094			
Emergency Management Services	3,152	3,152		3,152
Road Repairs and Maintenance	50,420			
Board of Health	3,720	4,191	596	3,595
Board of Health		50		50
Animal Control Services	96	96		96
New Milford Blood Bank	50			
Recreation	564	14,638	12,862	1,776
Historical Commission		1,000	1,000	
Shade Tree Commission	6,470	6,470	60	6,410
Senior Citizen Program	10,604	12,566	960	11,606
Celebration of Public Events	201	255		255
Garbage/Trash Removal	75,809	184,774	128,861	55,913
Recycling	48,351	152,487	80,029	72,458
Code Enforcement		2,395	2,277	118
Rent leveling	1,748	2,373	1,734	639
Construction Code Official	653			
Electricity	18,537	34,645	16,108	18,537
Street Lighting	4,396	22,470	17,906	4,564
Telephone	15,937	18,413	6,434	11,979
Water	11,801	33,734	22,791	10,943
Gas and Oil	28,630	39,675	20,740	18,935
Sewer Outside Cap		76		76
Statutory Expenditures				
Social Security System (O.A.S.I.)	16,495	16,495		16,495
Defined Contribution Retirement Program	371	371		371
Other Expenses Excluded from "CAPS":				
Bergen County Utilities Authority-Contractual	76			
Maintenance of Free Public Library	127	27		27
Public Library		22,600	22,500	100
LOSAP	7,500	75,000	67,500	7,500
Total Appropriation Reserves	\$ 836,755	1,371,816	813,346	558,470
Appropriation Reserves		836,755		
Encumbrances		535,061		
		\$ 1,371,816		
		Cash \$	813,346	

BOROUGH OF NEW MILFORD
Schedule of Encumbrances Payable
Current Fund
Year ended December 31, 2013

Balance - December 31, 2012	\$	552,327
Increased by:		
Charges to 2013 Appropriations		562,529
		1,114,856
Decreased by:		
Transferred to:		
Appropriation Reserves	\$	535,061
Prior Year Grant Encumbrances paid		17,266
		552,327
Balance - December 31, 2013	\$	562,529
Current Fund Appropriations		
Federal and State Grants		539,242
		23,287
	\$	562,529

BOROUGH OF NEW MILFORD

Schedule of Prepaid Taxes

Current Fund

Year ended December 31, 2013

Balance - December 31, 2012	\$	310,615
Increased by:		
Collection of 2014 taxes		<u>624,048</u>
		934,663
Decreased by:		
Applied to 2013 taxes receivable		<u>310,615</u>
Balance - December 31, 2013	\$	<u><u>624,048</u></u>

BOROUGH OF NEW MILFORD

**Schedule of Deferred Charges - N.J.S.A. 40A:4-53, 4-55.1
Special Emergency Authorizations**

Current Fund

Year ended December 31, 2013

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of net Amount Authorized</u>	<u>Balance Dec. 31, 2012</u>	<u>Reduced in 2013</u>
Sept. 8, 2008	Master Plan	25,000	5,000	5,000	5,000
				<u>\$ 5,000</u>	<u>5,000</u>

Schedule of Emergency Authorizations

Current Fund

Year ended December 31, 2013

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>Balance Dec. 31, 2012</u>	<u>Reduced in 2013</u>
Sept. 4, 2012	Legal Services and Costs - Other Expenses	75,000	75,000	75,000
			<u>\$ 75,000</u>	<u>75,000</u>

BOROUGH OF NEW MILFORD

Schedule of Tax Overpayments

Current Fund

Year ended December 31, 2013

Balance - December 31, 2012	\$	10,716
Increased by:		
Cash receipts		<u>66,653</u>
		77,369
Decreased by:		
Cash Disbursements		<u>66,172</u>
Balance - December 31, 2013	\$	<u><u>11,197</u></u>

BOROUGH OF NEW MILFORD

Schedule of County Taxes Payable

Current Fund

Year ended December 31, 2013

Balance - December 31, 2012		\$	4,002
Increased by:			
2013 County Levy	\$	3,825,724	
2013 County Open Space Levy		42,346	
Due county for added and omitted taxes		<u>6,113</u>	
			<u>3,874,183</u>
			3,878,185
Decreased by:			
Payments			<u>3,872,072</u>
Balance - December 31, 2013		\$	<u><u>6,113</u></u>

Schedule of Local District School Taxes Payable

Current Fund

Year ended December 31, 2013

Increased by:			
Levy - Calendar Year 2013	\$	<u>28,810,572</u>	
Decreased by:			
Payments	\$	<u><u>28,810,572</u></u>	

BOROUGH OF NEW MILFORD

Schedule of Interfunds

Current Fund

Year ended December 31, 2013

	Due from/(to) Balance <u>Dec. 31, 2012</u>	<u>Increased</u>	<u>Decreased</u>	Due from/(to) Balance <u>Dec. 31, 2013</u>
Animal License Trust	\$ 7,117	3,310		10,427
Other Trust Fund	119	7,997	369	7,747
Open Space Trust Fund	(97)	97	126	(126)
General Capital Fund	<u>729</u>	<u>1,647</u>	<u>729</u>	<u>1,647</u>
	<u>\$ 7,868</u>	<u>13,051</u>	<u>1,224</u>	<u>19,695</u>

Added Municipal Open Space Tax		126
FEMA Reimbursements	7,747	
Interest on Investments	1,897	
Cash Disbursements	97	
Cash Receipts		250
Interfunds Returned - Cash Receipts		848
Animal License Trust Fund - Statutory Excess	<u>3,310</u>	
	<u>\$ 13,051</u>	<u>1,224</u>

BOROUGH OF NEW MILFORD
Federal and State Grants Receivable
Current Fund
Year ended December 31, 2013

	Balance, Dec. 31, <u>2012</u>	Grant <u>Awards</u>	<u>Collected</u>	<u>Cancelled</u>	Balance, Dec. 31, <u>2013</u>
OEM HazardMitigation	\$ 1,612,301	29,566	1,600,062		41,805
HAVA-Polling Places	2,995		1,497		1,498
Drive Sober/Get Pulled Over	4,400	4,400	7,400	1,400	
Drunk Driving Enforcement Fund		4,268	4,268		
Recycling Tonnage Grant		20,445	20,445		
Clean Communities	2,177	27,085	27,085		2,177
Body Armor Replacement	1,853	3,215	3,215		1,853
Alcohol Education and Rehabilitation		648	648		
Title III - Senior Citizens		20,680	20,680		
Bergen County Environmental Energy		400	400		
	<u>\$ 1,623,726</u>	<u>110,707</u>	<u>1,685,700</u>	<u>1,400</u>	<u>47,333</u>
		Cash	1,658,737		
		Unappropriated Reserves	<u>26,963</u>		
			<u>\$ 1,685,700</u>		

BOROUGH OF NEW MILFORD

Schedule of Miscellaneous Reserves and Payables

Current Fund

Year Ended December 31, 2013

<u>Reserve for</u>	Balance, Dec. 31, 2012	<u>Increased by</u>	<u>Decreased by</u>	Balance, Dec. 31, 2013
Marriage License Fees Payable	\$ 350	2,350	2,100	600
DCA Fees Payable	1,213	10,293	8,315	3,191
State Burial Fees	1,453			1,453
Master Plan	<u>13,894</u>		<u>13,894</u>	
	<u>\$ 16,910</u>	<u>12,643</u>	<u>24,309</u>	<u>5,244</u>
		Cash Receipts	12,643	
		Cash Disbursements	<u>24,309</u>	
		<u>\$ 12,643</u>	<u>24,309</u>	

BOROUGH OF NEW MILFORD

Schedule of Appropriated Reserves for Federal and State Grants

Current Fund

Year ended December 31, 2013

Program	Balance, Dec.31, 2012	Transferred from 2013 Budget Appropriations		Cancelled	Expenditures	Balance, Dec.31, 2013
		Budget	By 40a:4-87			
Drunk Driving Enforcement Fund	\$ 2,393				2,393	
Clean Communities	20,096		27,085		19,061	28,120
Drive Sober/Get Pulled Over	3,200		4,400	1,400	6,200	
Body Armor Fund	4,194	3,215			5,845	1,564
Bullet Proof Vest Partnership Program						
Stormwater Management	4,972					4,972
Recycling Tonnage Grant	40,083	20,445			4,792	55,736
Drunk Driving Enforcement Fund		2,255	2,013		4,268	
Alcohol Education Rehabilitation	1,703	648			500	1,851
Bergen County Environmental Energy		400				400
OEM Hazard Mitigation Program	1,597,506		29,566		1,627,072	
Title III - Senior Citizens			20,680		20,680	
	<u>\$ 1,674,147</u>	<u>26,963</u>	<u>83,744</u>	<u>1,400</u>	<u>1,690,811</u>	<u>92,643</u>
				Cash Disbursements	1,667,524	
				Encumbrances Payable	<u>23,287</u>	
					<u>1,690,811</u>	

BOROUGH OF NEW MILFORD

Schedule of Unappropriated Reserves for Federal and State Grants

Current Fund

Year Ended December 31, 2013

<u>Grant</u>	Balance, Dec. 31, <u>2012</u>	2013 Budget <u>Appropriation</u>	Cash <u>Received</u>	Balance, Dec. 31, <u>2013</u>
Bergen County Environmental Energy	\$ 400	400		
Title III - Senior Citizens	20,445	20,445		
Drunk Driving Enforcement Fund	2,255	2,255		
Alcohol Education and Rehabilitation	648	648		
Recycling Tonnage Grant			18,374	18,374
Body Armor	3,215	3,215	4,153	4,153
	<u>\$ 26,963</u>	<u>26,963</u>	<u>22,527</u>	<u>22,527</u>

BOROUGH OF NEW MILFORD

Schedule of Trust Cash - Treasurer

Trust Funds

Year ended December 31, 2013

	Animal License Trust	Other Trust	Unemployment Compensation Insurance Fund	Medical Claims Trust Fund	Community Development Trust Fund	Open Space Trust Fund	Recreation Trust Fund	Emergency Services LOSAP Trust
Balance - December 31, 2012	\$ 20,273	523,010	20,481	57,848	8	264,267	493	609,371
Increased By Receipts:								
Reserve for Various Deposits		10,354,743				97		67,500
Due to/from Current Fund		7,997	32,000	195,250				
Borough Contribution			9,457					
Employee Payroll Deductions						78,745		
Open Space Taxes								
Grants and Contributions					103,588			
Interest on Investments and Deposits	18		25	22		161		112,973
Gain on Investments								
Animal License Fees	6,649							
State Fees	1,286							
Recreation Receipts							62,567	
	7,953	10,362,740	41,482	195,272	103,588	79,003	62,567	180,473
	28,226	10,885,750	61,963	253,120	103,596	343,270	63,060	789,844
Decreased By Disbursements:								
Due to State of New Jersey - Unemployment Claims			25,700					
Dog License Fees	1,304							
Expenditures Under R.S. 4.19-15.11	2,333					45,414		
Open Space Trust Expenditures		369				267,883		
Due to Current Fund								
Due to General Capital								
Reserve for Various Deposits		10,266,481		234,586				4,950
Medical Claims Expenditures								52,109
Benefit Payments								
Account Service Charges							58,184	
Recreation Expenditures								
	3,637	10,266,850	25,700	234,586	103,588	313,297	58,184	57,059
	24,589	618,900	36,263	18,534	8	29,973	4,876	732,785
Balance - December 31, 2013	\$							

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

Trust Funds

Year ended December 31, 2013

Balance - December 31, 2012	\$	13,140
Increased by:		
Dog License Fees Collected	\$	5,433
Cat License Fees Collected		560
Late Fees		655
Replacement Tags		1
Interest Earned		<u>18</u>
		<u>6,667</u>
		19,807
Decreased By:		
Cash Disbursements		2,333
Statutory Excess due to Current Fund		<u>3,310</u>
		<u>5,643</u>
Balance - December 31, 2013	\$	<u><u>14,164</u></u>

License fees collected

2012		7,030
2011		<u>7,134</u>
	\$	<u><u>14,164</u></u>

BOROUGH OF NEW MILFORD

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

Trust Funds

Year ended December 31, 2013

Balance - December 31, 2013	\$	16
Increased by:		
State License fees collected		<u>1,286</u>
		1,302
Decreased by:		
Paid to State of New Jersey		<u>1,304</u>
Balance - December 31, 2013	\$	<u><u>(2)</u></u>

BOROUGH OF NEW MILFORD

Schedule of Reserve For Open Space Trust Expenditures

Trust Funds

Year ended December 31, 2013

Balance - December 31, 2012		\$	74,731
Increased By:			
Open Space Taxes	\$	78,648	
Prior year Added/Omitted Taxes		97	
Added/Omitted Taxes		126	
Interest		<u>161</u>	
			<u>79,032</u>
			153,763
Decreased By:			
Due to General Capital		78,250	
Expenditures		<u>45,414</u>	
			<u>123,664</u>
Balance - December 31, 2013		\$	<u><u>30,099</u></u>

BOROUGH OF NEW MILFORD

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

Trust Funds

Year ended December 31, 2013

Balance - December 31, 2012		\$	18,914
Increased By:			
Employee payroll deductions	\$	9,457	
Budget Appropriation		32,000	
Interest		<u>25</u>	
			<u>41,482</u>
			60,396
Decreased By:			
Unemployment Claims Incurred			<u>27,545</u>
Balance - December 31, 2013		\$	<u><u>32,851</u></u>

Exhibit B-6

BOROUGH OF NEW MILFORD

**Schedule of Due to the State of New Jersey
Unemployment Insurance Fund**

Trust Funds

Year ended December 31, 2013

Balance - December 31, 2012	\$	1,567
Increased By:		
Claims		<u>27,545</u>
		29,112
Decreased By:		
Payments		<u>25,700</u>
Balance - December 31, 2013	\$	<u><u>3,412</u></u>

Exhibit B-7

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

Trust Funds

Year ended December 31, 2013

Balance - December 31, 2012	\$	57,848
Increased By:		
Cash Receipts	\$	195,250
Interest Earned		<u>22</u>
		<u>195,272</u>
		253,120
Decreased By:		
Medical Claim Expenditures		<u>234,586</u>
Balance - December 31, 2013	\$	<u><u>18,534</u></u>

BOROUGH OF NEW MILFORD

Schedule of Reserve for Various Deposits

Trust Funds

Year ended December 31, 2013

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Escrow Deposits	\$ 105,240	188,340	141,205	152,375
Tax Title Liens and Premiums	119,228	302,759	290,087	131,900
Landlord Emergency Repairs	54,281	42	31,823	22,500
Parking Offenses Adjudication Account	23,285	672		23,957
D.A.R.E. Trust	9,916	12,366	14,888	7,394
ShadeTree		250		250
Police Outside Duty		36,597	29,745	6,852
Junior Police Academy	7,410	5,936	6,575	6,771
Building Department	16,182	9	16,191	
Historic Preservation		15		15
Uniform Fire Code	1,531	141	40	1,632
Donation - Fire Department		4,000		4,000
Beautification Donation	170	879	749	300
Insurance Proceeds/Other Deposits	4,737	866		5,603
Senior Center Donation	500	645	495	650
Public Defender	7,279	2,600		9,879
Snow Removal	80,188	167,601	79,635	168,154
Accrued Payroll	89,711	9,589,096	9,613,753	65,054
Flexible Spending	2,787	41,929	40,849	3,867
JIF Safety	446		446	
	<u>\$ 522,891</u>	<u>10,354,743</u>	<u>10,266,481</u>	<u>611,153</u>
		Cash Receipts 10,354,743		
		Cash Disbursements <u>10,266,481</u>		
		<u>\$ 10,354,743</u>	<u>10,266,481</u>	

BOROUGH OF NEW MILFORD

Schedule of Interfunds

Trust Funds

Year ended December 31, 2013

	<u>Balance</u> <u>Dec. 31, 2012</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance</u> <u>Dec. 31, 2013</u>
Animal License Trust Fund				
Due from/(to) Current Fund	\$ (7,117)	3,310		(10,427)
Other Trust Fund:				
Due from/(to) Current Fund	(119)	7,997	369	(7,747)
Community Development Trust Fund:				
Due from/(to) Capital Fund		103,588	103,588	
Open Space Trust Fund:				
Due from/(to) Capital Fund	(189,633)	78,250	267,883	
Due from/(to) Current Fund	<u>97</u>	<u>97</u>	<u>126</u>	<u>126</u>
	<u>\$ (196,772)</u>	<u>193,242</u>	<u>371,966</u>	<u>(18,048)</u>
		Cash Receipts		
		111,682		
		Cash Disbursements	371,840	
		Statutory Excess		
		3,310		
		Added/Omitted Tax collections	126	
		Local Share appropriation - Ord. 2013- 2013-16	<u>78,250</u>	
		<u>\$ 193,242</u>	<u>371,966</u>	

Exhibit B-10

BOROUGH OF NEW MILFORD

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

Trust Funds

Year ended December 31, 2013

Balance - December 31, 2012	\$ <u>1</u>
Balance - December 31, 2013	\$ <u><u>1</u></u>

Exhibit B-11

BOROUGH OF NEW MILFORD

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

Trust Funds

Year ended December 31, 2013

Balance - December 31, 2012	\$ <u>7</u>
Balance - December 31, 2013	\$ <u><u>7</u></u>

BOROUGH OF NEW MILFORD

Schedule of Reserve for Recreation Trust Fund Expenditures

Trust Funds

Year ended December 31, 2013

Balance - December 31, 2012	\$	493
Increased By:		
Receipts		<u>62,567</u>
		63,060
Decreased By:		
Recreation Expenditures		<u>58,184</u>
Balance - December 31, 2013	\$	<u><u>4,876</u></u>

BOROUGH OF NEW MILFORD

Statement of Service Award Contributions Receivable

Emergency Services Volunteer Length of Service Award Program

Year ended December 31, 2013

Balance - December 31, 2012	\$	67,500
Increased By:		
Borough Contributions		<u>62,938</u>
		130,438
Decreased By:		
Contribution Paid		<u>67,500</u>
Balance - December 31, 2013	\$	<u><u>62,938</u></u>

BOROUGH OF NEW MILFORD

Statement of Net Assets Available for Benefits

Emergency Services Volunteer Length of Service Award Program

Year ended December 31, 2013

Balance - December 31, 2012		\$	676,871
Increased by:			
Borough Contributions	\$	62,938	
Appreciation of Market Value of Investments		<u>112,973</u>	
			<u>175,911</u>
			852,782
Decreased by:			
Account Service Charges		4,950	
Benefit payments		<u>52,109</u>	
			<u>57,059</u>
Balance - December 31, 2013		\$	<u><u>795,723</u></u>

BOROUGH OF NEW MILFORD

**Schedule of General Capital Cash -
Collector-Treasurer**

General Capital Fund

Year ended December 31, 2013

Balance - December 31, 2012		\$	1,014,620
Increased by:			
Due to Current Fund	\$	1,647	
Grants/Contribution Receivables:			
Community Development Block Grant		83,000	
Department of Transportation		185,497	
Bergen County Open Space Trust Fund		50,000	
Open Space Trust Fund		78,250	
Township of Teaneck		32,853	
Reserve for Green Acres Trust		45	
Due from Open Space Trust Fund		189,633	
Premium on Sale of Bonds and Notes		30,983	
Capital Improvement Fund		235,255	
Reserve for Payment of Notes		20,588	
Bond Anticipation Notes		<u>4,662,579</u>	
			<u>5,570,330</u>
			6,584,950
Decreased by disbursements:			
Due to Current Fund - Budget Revenue		6,123	
Due to Current Fund		729	
Bond Anticipation Notes		246,951	
Contracts Payable		424,038	
Improvement authorizations		<u>980,275</u>	
			<u>1,658,116</u>
Balance - December 31, 2013			<u><u>4,926,834</u></u>

BOROUGH OF NEW MILFORD

Analysis of General Capital Cash

General Capital Fund

Year ended December 31, 2013

Fund Balance	\$ 30,936
Department of Transportation Grant	(150,000)
Federal Housing and Community Development Block Grant receivable	(173,000)
Bergen County Open Space Trust Grants Receivable	(303,979)
Contribution's Receivable - Homeowners Flood Insurance Proceeds	(54,730)
Due to Current Fund	1,647
Reserve for Grants Receivable	277,000
Reserve for Payment of Notes	321,938
Reserve for Legislative Grant	30,000
Reserve for Green Acres	45
Capital Improvement Fund	16,405
Contracts Payable	835,833
Excess Note Proceeds -	
Ord. 2010-05	222,586
Ord. 2011-08	6
Ord. 2011-09	1

Improvement authorizations:

<u>Ordinance number</u>	<u>Improvement description</u>	
89-11/91-24	Resurfacing of Reichelt Road	(727)
94-05/96-11	Various improvements	(860)
00-05	Sanitary Sewer Rehabilitation	(9,500)
01-04/13	Recreation Area Improvements	(4,725)
03-03	Gateway to Historic New Bridge Landing	(16,772)
03-12	Various Capital Improvements	(475)
04-02	Improvements to River Road, Section 3	(7,680)
04-10	Various Capital Improvements	(218,000)
05-11	Hardcastle Pond Redevelopment	(4,872)
05-14/07-16	Various Public Improvements	(24,185)
05-23	Acquisition of Property	(15,482)
06-11	Improvements to River Road, Section 5	(12,776)
07-03	Various Public Improvements	4,986
08-07	Imps. to the Boulevard, Sec. 4	14,030
08-08	Various Public Improvements	2,386

BOROUGH OF NEW MILFORD

Analysis of General Capital Cash

General Capital Fund

Year ended December 31, 2013

Fund Balance		\$	30,936
09-05	Various Public Improvements		18,743
09-13	Various Public Improvements		8,090
10-05	Various Public Improvements		2,230
10-06	Various Public Improvements		85,978
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems		92,999
10-14	Sanitary Sewer Pipe Lining & Replacement		(33,641)
2011-09	Various Public Improvements		36,417
2012-07	Various Public Improvements		47,139
2012-08	Installation of Lighting at Kennedy Field		10,075
2012-12	Improvement of Center Street		7,276
2013-06	Various Public Improvements		3,787,679
2013-07	Imp. of Boulevard (Sec. 6) and Monmouth Avenue (Sec. 5)		(33,816)
2013-09	Imps. At Babe Ruth, Williams and Kennedy Fields		91,629
2013-13	Interior Improvements at the Senior Center		46,000
		\$	<u>4,926,834</u>

BOROUGH OF NEW MILFORD

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

General Capital Fund

Year ended December 31, 2013

Balance - December 31, 2012		\$	5,714,025
Decreased by:			
Bonds paid by Budget Appropriation	\$	720,000	
Loans paid by Budget Appropriation		31,334	
Loans paid via Project Credits		20,000	
NJ Environmental Infrastructure Trust Loans Deobligated		<u>224,379</u>	
			<u>995,713</u>
Balance - December 31, 2013		\$	<u><u>4,718,312</u></u>

BOROUGH OF NEW MILFORD

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year ended December 31, 2013

Ordinance number	Improvement description	Balance, Dec.31, 2012	2013 Authorizations	2013 Reductions	Balance, Dec.31, 2013	Analysis of Balance Dec. 31, 2013			
						Financed by Bond Anticipation Notes	Excess Proceeds	Expenditures	Unexpended improvement authorizations
89-11/91-24	Resurfacing of Reichelt Road	727			727			727	
94-05/96-11	Various Capital Improvements	860			860			860	
00-05/01-19	Sanitary Sewer Rehabilitation	9,500			9,500			9,500	
01/04/13	Recreation Area Improvements	4,725			4,725			4,725	
03-03	Gateway to Historic New Bridge Landing Project	16,772			16,772			16,772	
03-12	Various Capital Improvements	475			475			475	
04-02	Improvements to River Road, Section 3	7,680			7,680			7,680	
04-10	Various Capital Improvements	218,000			218,000			218,000	
05-11	Hardcastle Pond Redevelopment	4,872			4,872			4,872	
05-14/07-16	Various Public Improvements	24,303			24,303			24,185	118
05-23	Acquisition of Property	15,482			15,482			15,482	
06-11	Imps. to River Road, Section 5	12,776			12,776			12,776	
08-08	Various Public Improvements	435			435				435
09-04	Imps. to the Boulevard, Sec. 5	31,933		10,527	21,406				
09-05	Various Public Improvements	278,165		14,135	264,030				
09-07	Sanitary Sewer Rehabilitation	26,873		1,627	25,246				
09-13	Various Public Improvements	504,700		14,726	489,974				24,660
10-05	Various Public Improvements	100,000		23,685	76,315				
10-06	Various Public Improvements	64,133		10,000	54,133				
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems							(222,586)	
10-13	Various Building Improvements	595,000		14,928	580,072				
10-14	Sanitary Sewer Pipe Lining & Replacement	25,700			25,700				
11-08	River Road Streetscape, Phase IV	234,090			234,090			33,641	200,449
11-09	Various Public Improvements	79,248			79,248			(6)	
12-07	Various Public Improvements	622,364			622,364			(1)	
12-12	Improvement of Center Street	881,000			881,000				
		183,000			183,000				421

BOROUGH OF NEW MILFORD

Schedule of Deferred Charges to Future Taxation - Unfunded

General Capital Fund

Year ended December 31, 2013

Ordinance number	Improvement description	Balance, Dec. 31, 2012	2013 Authorizations	2013 Reductions	Balance, Dec. 31, 2013	Analysis of Balance Dec. 31, 2013		
						Financed by Bond Anticipation Notes	Excess Proceeds	Unexpended improvement authorizations
2013-06	Various Public Improvements		4,480,000		4,480,000			
2013-07	Imp. Of Boulevard (Sec. 6) and Monmouth Avenue (Sec. 3)		210,000		210,000			
		\$ 3,942,813	4,690,000	89,628	8,543,185	7,980,000	(222,593)	402,267
								176,184
								33,816
								383,511

Budget Appropriation \$ 89,628

Improvement authorizations unfunded	Less unexpended proceeds of bond anticipation notes:	
09-05		18,743
09-13		8,090
10-05		2,230
10-06		54,133
10-07		92,999
11-09		36,417
12-07		47,139
12-12		7,276
13-06		3,787,679
		\$ 4,456,973

4,054,706

\$ 402,267

BOROUGH OF NEW MILFORD
Schedule of Due from Open Space Trust Fund
General Capital Fund
Year ended December 31, 2013

Balance - December 31, 2012	\$	189,633
Increased by:		
Contribution Receivable - Ord. 2013-09, 2013-16		78,250
		267,883
Decreased by:		
Cash Received	\$	267,883

Schedule of Community Development
Block Grants Receivable
General Capital Fund
Year ended December 31, 2013

Balance - December 31, 2012	\$	215,909
Increased by:		
Grant Awards		46,000
		261,909
Decreased by:		
Cancelled	\$	5,909
Cash Receipts		83,000
		88,909
Balance - December 31, 2013	\$	173,000
<u>Analysis of Balance</u>		
Handicapped Access for Senior Center, Ord. 2012-07	\$	127,000
Interior Imps. To the Senior Center, Ord. 2013-13		46,000
	\$	173,000

BOROUGH OF NEW MILFORD

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

General Capital Fund

Year ended December 31, 2013

Balance - December 31, 2012	\$ 258,979
Increased by:	
Grant Awards	<u>95,000</u>
	353,979
Decreased by:	
Cash Receipts	<u>50,000</u>
Balance - December 31, 2013	<u>\$ 303,979</u>
<u>Analysis of Balance</u>	
Improvement of Hardcastle Pone, Ord. 2010-6	\$ 17,678
Sutton - Tennis Courts, Ord. 2010-6	31,301
Lighting at Kennedy Field, Ord. 2012-8	162,500
Imps. of Playgrounds at Kennedy Field and Prospect Park, Ord. 2012-06	47,500
Imps. At Babe Ruth, Williams & Kennedy Fields, Ord. 2013-09	<u>45,000</u>
	<u>\$ 303,979</u>

BOROUGH OF NEW MILFORD
Schedule of State of New Jersey
Department of Transportation Grants Receivable
General Capital Fund
Year ended December 31, 2013

Balance - December 31, 2012		\$	198,875
Increased by:			
Grants Awarded			150,000
			348,875
Decreased by:			
Cash Receipts	\$	185,497	
Cancelled		13,378	
			198,875
Balance - December 31, 2013		\$	150,000
<u>Analysis of Balance</u>			
Imp. Of the Boulevard (Sec. 6) and Monmouth Avenue, (Sec. 3) - Ord. 2013-07		\$	150,000

Exhibit C-10

BOROUGH OF NEW MILFORD
Schedule of Due from Township of Teaneck
General Capital Fund
Year ended December 31, 2013

Balance - December 31, 2012	\$ <u>32,853</u>
Decreased by:	
Cash Received	\$ <u><u>32,853</u></u>

Exhibit C-11

Schedule of Contributions Receivable - Homeowner's
Flood Insurance Proceeds - Ord. 2013-12
General Capital Fund
Year ended December 31, 2013

Increased by:	
Contributions Receivable	\$ <u>54,730</u>
Balance - December 31, 2012	\$ <u><u>54,730</u></u>

Exhibit C-12

Schedule of New Jersey Environmental Infrastructure Loans Receivable
General Capital Fund
Year ended December 31, 2013

Balance - December 31, 2012	<u>407,508</u>
Decreased by:	
Fund Loan Deobligated	\$ 224,379
Trust Loan Deobligated	<u>183,129</u>
	\$ <u><u>407,508</u></u>

BOROUGH OF NEW MILFORD

Schedule of Due to Current Fund

General Capital Fund

Year ended December 31, 2013

Balance - December 31, 2012	\$	729
Increased by:		
Cash Receipts		<u>1,647</u>
		2,376
Decreased by:		
Cash Disbursements		<u>729</u>
Balance - December 31, 2013	\$	<u><u>1,647</u></u>

BOROUGH OF NEW MILFORD

Schedule of General Serial Bonds

General Capital Fund

Year ended December 31, 2013

Purpose	Date of issue	Amount of original issue	Maturities of bonds outstanding		Interest rate	Balance, Dec.31, 2012	Decreased	Balance, Dec.31, 2013
			Date	Amount				
General Bonds of 2005	June 15, 2005	3,085,000	Feb. 1, 2014	425,000	3.50	1,285,000	415,000	870,000
			Feb. 1, 2015	445,000	3.50			
General Improvement Bonds of 2009	May 1, 2009	4,160,000	May 1, 2014	320,000	2.25	3,310,000	305,000	3,005,000
			May 1, 2015	345,000	2.75			
			May 1, 2016	235,000	3.00			
			May 1, 2017	370,000	3.00			
			May 1, 2018	395,000	3.25			
			May 1, 2019	420,000	3.25			
May 1, 2020	445,000	3.50						
May 1, 2021	475,000	3.50						
						\$ 4,595,000	720,000	3,875,000

BOROUGH OF NEW MILFORD

Schedule of Environmental Infrastructure Fund Loans Payable

General Capital Fund

Year ended December 31, 2013

Purpose	Date of issue	Original issue	Maturities of Bonds Outstanding, December 31, 2013		Interest Rate	Balance, Dec. 31, 2012	Decreased	Balance, Dec. 31, 2013
			Date	Amount				
Wastewater Treatment Facilities	Dec. 2, 2010	616,250	Feb. 1, 2014	10,445	0.00%	564,025	255,713	308,312
			Aug. 1, 2014	20,890				
			Feb. 1, 2015	10,445				
			Aug. 1, 2015	20,890				
			Feb. 1, 2016	10,445				
			Aug. 1, 2016	20,889				
			Feb. 1, 2017	10,445				
			Aug. 1, 2017	20,890				
			Feb. 1, 2018	10,445				
			Aug. 1, 2018	20,890				
			Feb. 1, 2019	10,445				
			Aug. 1, 2019	20,889				
			Feb. 1, 2020	10,445				
			Aug. 1, 2020	20,890				
		Feb. 1, 2021	10,445					
		Aug. 1, 2021	20,890					
		Feb. 1, 2022	10,445					
		Aug. 1, 2022	20,890					
		Feb. 1, 2023	10,445					
		Aug. 1, 2023	15,854					
						\$ 564,025	255,713	308,312

Budget Appropriation 31,334
 Deobligated 224,379
 \$ 255,713

BOROUGH OF NEW MILFORD
Schedule of Environmental Infrastructure Trust Loans Payable

General Capital Fund

Year ended December 31, 2013

Purpose	Date of issue	Original issue	Maturities of Bonds Outstanding, December 31, 2013		Interest Rate	Balance, Dec. 31, 2012	Decreased	Balance, Dec. 31, 2013
			Date	Amount				
Wastewater Treatment Facilities	Dec. 2, 2010	575,000	Aug. 1, 2014	20,000	5.00%	555,000	20,000	535,000
			Aug. 1, 2015	20,000				
			Aug. 1, 2016	25,000				
			Aug. 1, 2017	25,000				
			Aug. 1, 2018	25,000				
			Aug. 1, 2019	25,000				
			Aug. 1, 2020	30,000				
			Aug. 1, 2021	30,000				
			Aug. 1, 2022	30,000				
			Aug. 1, 2023	30,000				
			Aug. 1, 2024	35,000				
			Aug. 1, 2025	35,000				
			Aug. 1, 2026	35,000				
			Aug. 1, 2027	40,000				
			Aug. 1, 2028	40,000				
		Aug. 1, 2029	45,000					
		Aug. 1, 2030	45,000					
						\$ 555,000	20,000	535,000
						Paid via Project Credit \$ 20,000		

BOROUGH OF NEW MILFORD

Schedule of Bond Anticipation Notes

General Capital Fund

Year ended December 31, 2013

Ordinance number	Improvement description	Date of issuance of original note	Date of Issue	Maturity	Interest rate	Balance, Dec. 31, 2012	Increased	Decreased	Balance, Dec. 31, 2013
09-04	Improvements to the Boulevard, Sec. 5	July 23, 2009	Apr. 19, 2013	Apr. 17, 2014	1.00%	31,933	21,406	31,933	21,406
09-05	Various Public Improvements	July 23, 2009	Apr. 19, 2013	Apr. 17, 2014	1.00%	278,165	264,030	278,165	264,030
09-07	Sanitary Sewer Rehabilitation	July 23, 2009	Apr. 19, 2013	Apr. 17, 2014	1.00%	26,873	25,246	26,873	25,246
09-13	Various Public Improvements/Addl Machinery and Equipment	Apr. 19, 2010	Apr. 19, 2013	Apr. 17, 2014	1.00%	480,040	465,314	480,040	465,314
10-05	Various Public Improvements	Apr. 19, 2010	Apr. 19, 2013	Apr. 17, 2014	1.00%	450,000	298,901	450,000	298,901
10-06	Various Public Improvements	Apr. 19, 2010	Apr. 19, 2013	Apr. 17, 2014	1.00%	79,035	54,133	79,035	54,133
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	July 23, 2010	Apr. 19, 2013	Apr. 17, 2014	1.00%	595,000	580,072	595,000	580,072
2010-13	Various Public Improvements	Apr. 19, 2011	Apr. 19, 2013	Apr. 17, 2014	1.00%	25,700	25,700	25,700	25,700
2011-08	River Road Streetscape Imps, Phase IV	Sept. 19, 2011	Apr. 19, 2013	Apr. 17, 2014	1.00%	79,254	79,254	79,254	79,254
2011-09	Various Public Improvements	Sept. 19, 2011	Apr. 19, 2013	Apr. 17, 2014	1.00%	727,000	622,365	727,000	622,365
2012-07	Various Public Improvements	Jun. 19, 2012	Apr. 19, 2013	Apr. 17, 2014	1.00%	881,000	881,000	881,000	881,000
2012-12	Improvements to Center Street	Apr. 19, 2013	Apr. 19, 2013	Apr. 17, 2014	1.00%	182,579	182,579	182,579	182,579
2013-06	Various Public Improvements	Aug. 2, 2013	Aug. 2, 2013	Apr. 17, 2014	1.25%	4,480,000	4,480,000	4,480,000	4,480,000
						<u>\$ 3,654,000</u>	<u>7,980,000</u>	<u>3,654,000</u>	<u>7,980,000</u>

Cash	4,662,579
Renewed	3,317,421
Budget Appropriation	89,628
Ord. 2010-05	127,414
Ord. 2010-06	14,902
Ord. 2011-09	104,635
	<u>\$ 7,980,000</u>

Paydown - Reserve for Payment of Notes

BOROUGH OF NEW MILFORD

Schedule of Improvement Authorizations

General Capital Fund

Year ended December 31, 2013

Ordinance number	Improvement description	Date	Ordinance Amount		Balance, Dec. 31, 2012		2013 Authorizations	Cancelled	Paid or charged	Balance, Dec. 31, 2013	
					Funded	Unfunded				Funded	Unfunded
05-14/07-16	Various Public Improvements	Mar. 26, 2007	330,000	118	4,986	4,986				4,986	118
07-03	Various Public Improvements	June 23, 2008	205,000		14,030	14,030				14,030	
08-07	Imps. To the Boulevard, Sec. 4	July 28, 2008	580,000	435	2,386	2,386				2,386	435
08-08	Various Improvements	April 27, 2009	477,000	21,671				2,928			18,743
09-05	Various Public Improvements	Aug. 24, 2009	530,000	172,750				140,000			32,750
09-13	Various Public Improvements	Feb. 22, 2010	450,000	2,230							2,230
10-05	Various Public Improvements	Feb. 22, 2010	597,000	88,083				2,105		31,845	54,133
10-06	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	Apr. 26, 2010	625,000	99,802				6,803			92,999
10-14	Sanitary Sewer Pipe Lining & Replacement	Aug. 23, 2010	1,425,340	234,090	374,131		(407,508)	264			200,449
2011-09	Various Public Improvements	Apr. 25, 2011	764,000	49,020				12,603			36,417
2012-07	Various Public Improvements	May 14, 2012	925,450	211,695				164,556			47,139
2012-08	Installation of Lighting at Kennedy Field	May 14, 2012	325,000		309,383			299,308		10,075	
2012-12	Improvement of Center Street	July 23, 2012	183,000	17,400				9,703			7,697
2012-16	Improvement of Playgrounds at Kennedy Field and Prospect Park	Oct. 22, 2012	95,000		90,250			90,250			
2013-06	Various Public Improvements	May 29, 2013	4,705,100				4,705,100	917,421			3,787,679
2013-07	Imp. of Boulevard (Sec. 6) and Monmouth Avenue (Sec. 3)	July 29, 2013	210,000				210,000	33,816			176,184
2013-09	Imps. At Babe Ruth Field, Williams Field and Kennedy Field	Oct. 28, 2013	97,000				97,000	5,371		91,629	
2013-12	Demolition & Site Restoration of Hurricane Irene damaged homes	Oct. 28, 2013	54,730					54,730			
2013-13	Interior Imps. at the Senior Center	Nov. 25, 2013	46,000							46,000	
2013-16	Acquisition of Property for Open Space	Nov. 13, 2013	76,250					76,250			
					\$ 795,166	897,294	5,189,080	(407,508)	1,816,108	200,951	4,456,973

Deferred charges unfunded \$ 4,690,000
 Grants/Contributions Receivable 273,980
 Capital Improvement Fund 225,100

\$ 5,189,080

Cash Disbursements 980,275
 Contracts Payable 835,833
 \$ 1,816,108

Exhibit C-19

BOROUGH OF NEW MILFORD
Schedule of Capital Improvement Fund
General Capital Fund
Year ended December 31, 2013

Balance - December 31, 2012	\$	6,250
Increased by:		
2013 Budget Appropriation		<u>235,255</u>
		241,505
Decreased by:		
Appropriated to Finance		
Improvement Authorizations		<u>225,100</u>
Balance - December 31, 2013	\$	<u><u>16,405</u></u>

Exhibit C-20

Schedule of Reserve for Legislative Grant
General Capital Fund
Year ended December 31, 2013

Balance - December 31, 2012	\$	<u>30,000</u>
Balance - December 31, 2013	\$	<u><u>30,000</u></u>

BOROUGH OF NEW MILFORD
Schedule of Reserve for Grants Receivable
General Capital Fund
Year ended December 31, 2013

Balance - December 31, 2012		\$ 447,637
Increased by:		
Grant Awards		<u>150,000</u>
		597,637
Decreased by:		
Cancelled	\$ 19,287	
Reserve for payment of notes	<u>301,350</u>	
		<u>320,637</u>
Balance - December 31, 2013		<u><u>\$ 277,000</u></u>

Analysis of Balance

Department of Transportation, Ord. 2013-07	150,000
Community Development Block Grant, Ord. 2012-07	<u>127,000</u>
	<u><u>\$ 277,000</u></u>

BOROUGH OF NEW MILFORD

Schedule of Reserve for Payment of Notes

General Capital Fund

Year ended December 31, 2013

Increased by:			
Cash Receipts	\$	20,588	
Reallocated from Reserve for Grants Receivable		<u>301,350</u>	
			<u>321,938</u>
Balance - December 31, 2013	\$		<u><u>321,938</u></u>

Analysis of Balance

Ord. 2012-07	136,441
Ord. 2012-12	139,754
Ord. 2011-08	<u>45,743</u>
	\$ <u><u>321,938</u></u>

Exhibit C-23

BOROUGH OF NEW MILFORD

Schedule of Contracts Payable

General Capital Fund

Year ended December 31, 2013

Balance - December 31, 2012	\$	424,038
Increased by:		
Contracts Awarded		<u>835,833</u>
		1,259,871
Decreased by:		
Cash Disbursements		<u>424,038</u>
Balance - December 31, 2013	\$	<u><u>835,833</u></u>

Exhibit C-24

Schedule of Reserve for Green Acres

General Capital Fund

Year ended December 31, 2013

Increased by:		
Interest Earnings	\$	<u>45</u>
Balance - December 31, 2013	\$	<u><u>45</u></u>

BOROUGH OF NEW MILFORD

Schedule of Bond and Notes Authorized not Issued

General Capital Fund

Year ended December 31, 2013

Ordinance number	Improvement description	Balance, Dec.31, 2012	Increased	Decreased	Balance, Dec.31, 2013
89-11/91-24	Resurfacing Reichelt Road	\$ 727			727
94-05/96-11	Various Capital Improvements	860			860
00-05/01-19	Sanitary Sewer Improvements	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 Capital Improvements	475			475
04-2	Improvements to River Road, Section 3	7,680			7,680
04-10	Various Capital Improvements	218,000			218,000
05-23	Acquisition of Property	15,482			15,482
05-11	Hardcastle Pond Redevelopment	4,872			4,872
05-14/07-16	Various Public Improvements	24,303			24,303
06-11	Imps. to River Road, Sec. 5	12,776			12,776
08-08	Various Public Improvements	435			435
2009-13	Various Public Improvements/Additional Machinery and Equipment	24,660			24,660
2010-14	Sanitary Sewer Pipe Lining & Replacement	234,090			234,090
2012-12	Improvements to Center Street	183,000		182,579	421
2013-06	Various Public Improvements		4,480,000	4,480,000	
2013-07	Imps. Of Boulevard (Sec. 6) and Monmouth Avenue (Sec. 3)		210,000		210,000
		<u>\$ 758,357</u>	<u>4,690,000</u>	<u>4,662,579</u>	<u>785,778</u>

Current Year Improvement Authorizations 4,690,000
\$ 4,690,000

Bond Anticipation Notes Issued 4,662,579
\$ 4,662,579

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BOROUGH OF NEW MILFORD

Schedule of Cash-Treasurer

Goodwill Fund

Year Ended December 31, 2013

Balance - December 31, 2012		\$	12,011
Increased by Receipts:			
Donations	\$	885	
Interest Earned		<u>22</u>	
			<u>907</u>
			12,918
Decreased by Disbursements:			
Non-reimbursable expenditures			<u>556</u>
Balance - December 31, 2013		\$	<u><u>12,362</u></u>

BOROUGH OF NEW MILFORD

Schedule of Reserve for Goodwill Fund Expenditures

Goodwill Fund

Year Ended December 31, 2013

Balance - December 31, 2012		\$	12,011
Increased by:			
Donations	\$	885	
Interest Earned		<u>22</u>	
			<u>907</u>
			12,918
Decreased by:			
Non-reimbursable Expenditures			<u>556</u>
Balance - December 31, 2013		\$	<u><u>12,362</u></u>

BOROUGH OF NEW MILFORD

PART II

**LETTERS ON INTERNAL CONTROL AND ON COMPLIANCE
AND OTHER MATTERS**

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2013

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements-regulatory basis of the Borough of New Milford in the County of Bergen as of and for the year ended December 31, 2013 and the related notes to the financial statements, and have issued our report thereon dated June 13, 2014, which was adverse due to being presented in accordance with New Jersey regulatory basis of accounting.

Internal Control Over Financial Reporting

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

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



Honorable Mayor and
Members of the Borough Council
Page 2.

Payments." Those standards and OMB Circular A-133 and N.J. OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Borough of New Milford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Borough of New Milford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Borough of New Milford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of New Milford's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal and state program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance with OMB Circular A-133 and N.J. OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of New Milford's internal control over compliance.

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



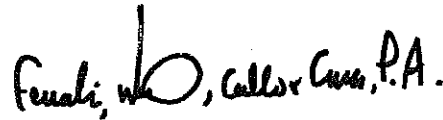
Honorable Mayor and
Members of the Borough Council
Page 3.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and N.J. OMB Circular 04-04. Accordingly, this report is not suitable for any other purpose.



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



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

June 13, 2014



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BOROUGH OF NEW MILFORD
Schedule of Expenditure of Federal Awards

Year ended December 31, 2013

Grantor	Program	CFDA Number	Grant Period	Grant Award	Receipts	Expenditures	Cancelled	MEMO
								Cumulative Total Expenditures
General Capital Funds: U.S. Department of Transportation Federal Highway Administration	Highway Planning and Construction - River Road - Ord. 2011-08	20.205	2011	173,127 \$		45,743		166,495
	Imps. to Center Street - Ord. 2012-12	20.205	2012	146,500		146,500		146,500
	Imps. Of Boulevard (Sec. 6) and Monmouth Avenue (Sec. 3) - Ord. 2013-07	20.205	2013	150,000				
						192,243		312,995
Department of Housing and Urban Development (through the County of Bergen)	Community Development Block Grant - Handicapped Curb Ramps - Ord. 2010-06	14.218	2010	110,000				14,902
	Handicapped Curb Ramps - Ord. 2011-09	14.218	2011	83,000				104,636
	Resurfacing of Reichelt Rd. - Ord. 2012-07	14.218	2012	83,000	83,000	83,000		83,000
	Handicapped Access for Senior Center - Ord. 2012-07	14.218	2012	127,000				
				83,000	83,000			202,538
				83,000	275,243			515,533
Total General Capital Fund								
Current Funds:								
U.S. Department of Health and Human Services Title III		93.044	1/1/13-12/31/13	20,680	20,680			20,680
		97.039	2011	1,209,226	1,206,459	1,194,431		1,209,226
Department of Homeland Security	Hazard Mitigation Grant - DR4021	97.039	2013	29,566		29,566		29,566
	Hazard Mitigation Grant - Administrative Costs							
Department of Transportation - National Highway Safety Administration - Alcohol Impaired Driving Countermeasures	Drive Sober or Get Pulled Over	20.601	2012	6,200	4,400	6,200	(1,400)	7,400
Department of Environmental Protection	Stormwater Regulation Grant	66.605	2004	9,022				4,050
Total Federal and State Grant Fund								
					1,225,539	1,250,877	(1,400)	
Trust Funds: Department of Homeland Security	Disaster Grants - Public Assistance (Presidentially Declared Disasters)			240,355	165,963	165,963		165,963
	DR4086 - Hurricane Sandy	97.036	2010					
				\$ 1,474,502	1,692,083	(1,400)		681,496

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

Note: This schedule was subject to an audit in accordance with OMB Circular A-133.

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BOROUGH OF NEW MILFORD

Schedule of Expenditure of State Awards and Other Financial Assistance

Year ended December 31, 2013

State Funding Department	State Program	Grant Number	Grant Year	Allocation or Grant Award Amount	Cash Received	Expended	MEMO Cumulative Total Expenditures
Current Fund: Department of Law and Public Safety	Drunk Driving Enforcement Fund	1110-443-031020-22	2013	2,013	2,013	2,013	2,013
			2012	2,255	2,255	2,255	2,255
			2012	2,255	1,740	1,740	2,255
			2010	3,995	653	653	3,995
					<u>4,268</u>	<u>6,661</u>	
	Body Armor Replacement	1020-718-066-1020-001	2012	3,215	3,215	1,651	1,651
			2011	11,936		3,142	3,142
						1,052	1,052
				4,153	4,153	<u>5,845</u>	
					<u>7,368</u>		
	Alcohol Education and Rehabilitation	4250-760-05000-63-260	2012	648	648	162	648
			2012	648		338	338
			Prior		648	500	
				403,075	399,603	403,075	403,075
Dept. of Environmental Protection	Green Trust Grant Project - Hazard Mitigation Program	0238-12-LBA					
Environmental Protection Agency Public Wastewater Facilities			2010				391,871
Solid Waste Administration	Recycling Tonnage Grant	4830-752-05050-30	2012	20,445	20,445		
			2012	34,483			
			2011	38,643		4,792	37,835
			2013	18,374	18,374		
	Clean Communities Program	4900-765-178900	2013	27,085	27,085		
			2012	23,523		19,061	22,488
					<u>65,904</u>	<u>23,853</u>	
Total State Financial Assistance - Current Fund				\$ 477,791	439,934		872,618

BOROUGH OF NEW MILFORD

Schedule of Expenditure of State Awards and Other Financial Assistance

Year ended December 31, 2013

State Funding Department	State Program	Grant Number	Grant Year	Allocation or Grant Award Amount	Cash Received	Expended	MEMO Cumulative Total Expenditures
Current Fund: Other Financial Assistance County of Bergen: Trust Fund:	Municipal Alliance to Prevent Alcoholism/Drug Abuse		2013	11,677	10,258	11,677	11,677
General Capital Fund:	Open Space Trust Fund		2010				
		Imps. To Hardcastle Pond - Ord. 2010-6	2010				
		Sutton - Tennis Courts - Ord. 2010-6	2010				
	11-00602	Lighting at Kennedy Field - Ord. 2012-08	2012	162,500		125,000	125,000
		Imps. Of Playgrounds - Kennedy Field & Prospect Parks - Ord. 2012-16	2012	47,500		47,500	47,500
	Ord. 2013-09 (13-00373)	Imps. at Babe Ruth, Williams & Kennedy Fields	2013	45,000			
	Ord. 2013-16 (12-00268)	Acquisition of Property for Open Space	2013	50,000	50,000	50,000	
					60,258	234,177	136,677
Total Other Financial Assistance					60,258	234,177	136,677
Total State and Other Financial Assistance				\$ 538,049	674,111	1,009,295	

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

Note: This schedule was not subject to an audit in accordance with N.J. OMB Circular 04-04.

**BOROUGH OF NEW MILFORD
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Capital Fund	\$275,243	\$	275,243
Current Fund	1,250,877	439,934	1,690,811
Trust Funds	<u>165,963</u>	<u> </u>	<u>165,963</u>
Total Financial Awards	<u>\$1,692,083</u>	<u>\$439,934</u>	<u>\$2,132,017</u>

BOROUGH OF NEW MILFORD
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013
(CONTINUED)

NOTE 4. FEMA PUBLIC ASSISTANCE GRANT REIMBURSEMENT

The \$165,963 Federal Emergency Management Assistance represents reimbursement of expenditures related to flood damages caused by Tropical Storm Irene and Superstorm Sandy in prior years. This is a direct reimbursement of expenditures.

NOTE 5. STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2013, 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	\$308,312
Trust Loan	<u>535,000</u>
	<u>\$843,312</u>

**BOROUGH OF NEW MILFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Adverse GAAP/qualified regulatory

Internal control over financial reporting:

1. Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

2. Material weakness(es) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

Type of auditor's report issued on compliance for major programs: unmodified

Internal Control over major programs:

1. Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

2. Material weakness(es) identified? yes X no

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>97.039</u>	<u>Department of Homeland Security- Hazard Mitigation Grant</u>

**BOROUGH OF NEW MILFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section I - Summary of Auditor's Results, Continued

State Awards Section

Not Applicable

**BOROUGH OF NEW MILFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(continued)**

Section II - Schedule of Financial Statement Findings

N/A

Section III - State Financial Assistance Findings and Questioned Costs

N/A

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BOROUGH OF NEW MILFORD, N.J.

GENERAL COMMENTS

Contracts and Agreements

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

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

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

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

BOROUGH OF NEW MILFORD, N.J.

GENERAL COMMENTS, (continued)

Effective January 1, 2011, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$36,000. The Borough, by resolution, has increased the bid threshold to the amount as allowed by law for having a qualified purchasing agent.

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

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

Recycling Pick-up Service
Demolition and Restoration of Flood Damaged Homes
Improvements to Boulevard, Sec. 6 and Monmouth Avenue, Sec. 3
Hirschfield Brook Flood Control Project
Additions and Renovations to New Milford Firehouses

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

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

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

Collection of Interest on Delinquent Taxes and Assessments

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

The governing body on January 7, 2013 adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

BOROUGH OF NEW MILFORD

GENERAL COMMENTS, (continued)

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

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on December 5, 2013 and was complete.

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

<u>Year</u>	<u>Number of Liens</u>
2013	3
2012	3
2011	3

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

Verification of Delinquent Taxes and Other Charges

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

The result of the test, which was made for the year ending December 31, 2013, is not yet known, but a separate report will be rendered if any irregularities are developed. In addition we utilized analytical review procedures to ascertain the validity of the receivables.

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BOROUGH OF NEW MILFORD, N.J.

COMMENTS

Mayor and Council

1. A review of various professional service contracts and award procedures revealed that the Borough did not properly utilize the “fair and open” process as set forth in the state’s “Pay to Play” statute (P.L. 2005, c.51).
 - a. There was no documentation to support evaluations of submitted requests for qualifications.

Administration

1. Professional service contract awarding resolutions did not contain “not to exceed” cost language as required by N.J.A.C. 5:30-5.5(b)(1).

Finance

1. Certificates of availability of funds were not prepared prior to the award of professional service contracts as stipulated by N.J.A.C. 5:30-5.4(a)(1).

Municipal Court

1. *There are instances where posting differences between the computer system and the bank records are carried as reconciling items on the bank reconciliation as opposed to being corrected in the computer system.
2. A review of the Court’s December 2013 ATS/ACS Monthly Management report revealed that the court is behind in the processing of tickets in the following categories: Eligible for Dismissal, Eligible for Order of Driver’s License Suspension, Tickets assigned over 180 days, Tickets not assigned and Complaints eligible for FTA over 14 days.
3. The Analysis of Open Bail per the ATS/ACS reports is not in agreement with the reconciled cash balance at 12/31/13.

Building Department

1. There were instances where the amounts charged for a building permit were not in agreement with the fee ordinance.

Recreation Department

1. *A detailed analysis of cash receipts is not maintained.
2. *Deposits are not being made in a timely manner.

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BOROUGH OF NEW MILFORD, N.J.

RECOMMENDATIONS

Mayor and Council

1. Borough officials develop and implement policies and procedures concerning the award of professional service contracts to ensure compliance with N.J.S.A. 19:44A-20.4.

Administration

1. Resolutions awarding professional service contracts be updated to include “not to exceed” cost language.

Finance

1. Certificates of availability of funds be prepared for all professional service contracts prior to award.

Municipal Court

1. *Reconciling items on the Municipal Court bank accounts be reviewed and cleared of record and the account shortfalls be remediated.
2. Court personnel take steps to ensure that all tickets and complaints are processed in a timely manner, that all tickets assigned but not issued over 180 days be recalled and either destroyed or reassigned to other officers and that all tickets be assigned in the system prior to issuance by an officer.
3. Court personnel take steps to reconcile the bail on account per the ATS/ACS reports to the reconciled cash balance on a monthly basis.

Building Department

1. Department personnel review fee ordinances to ensure the proper calculation of building permit fees.

Recreation Department

1. *The internal controls pertaining to the financial activities of the Recreation Commission be reviewed and enhanced.

BOROUGH OF NEW MILFORD, N.J.

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

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

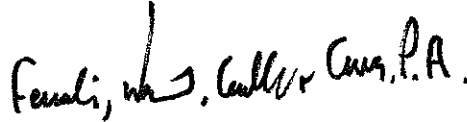
ACKNOWLEDGMENT

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

Respectfully submitted,



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



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

June 13, 2014