

BOROUGH OF NEW MILFORD
BERGEN COUNTY, NEW JERSEY
REPORT OF AUDIT
YEAR ENDED DECEMBER 31, 2012

BOROUGH OF NEW MILFORD

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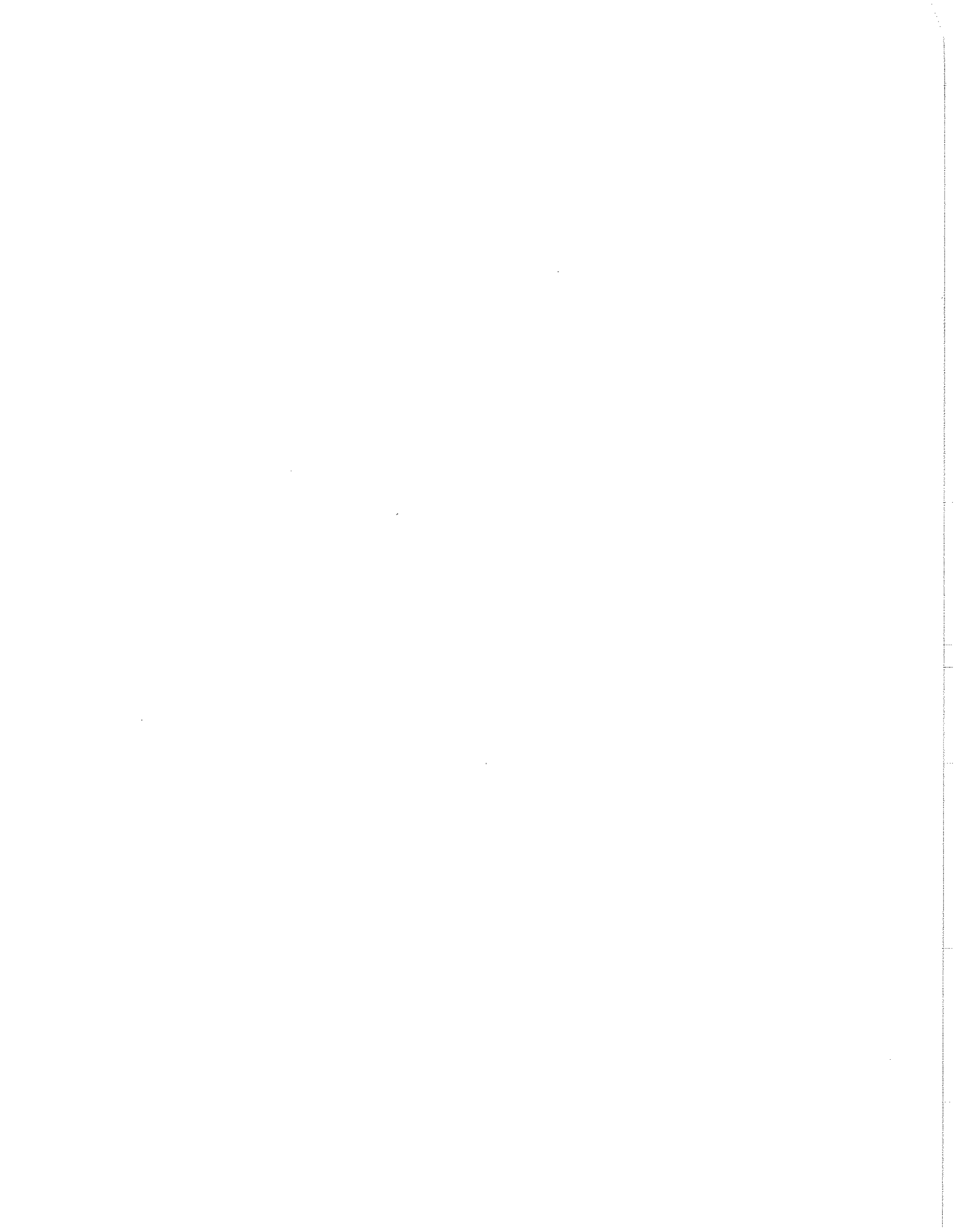
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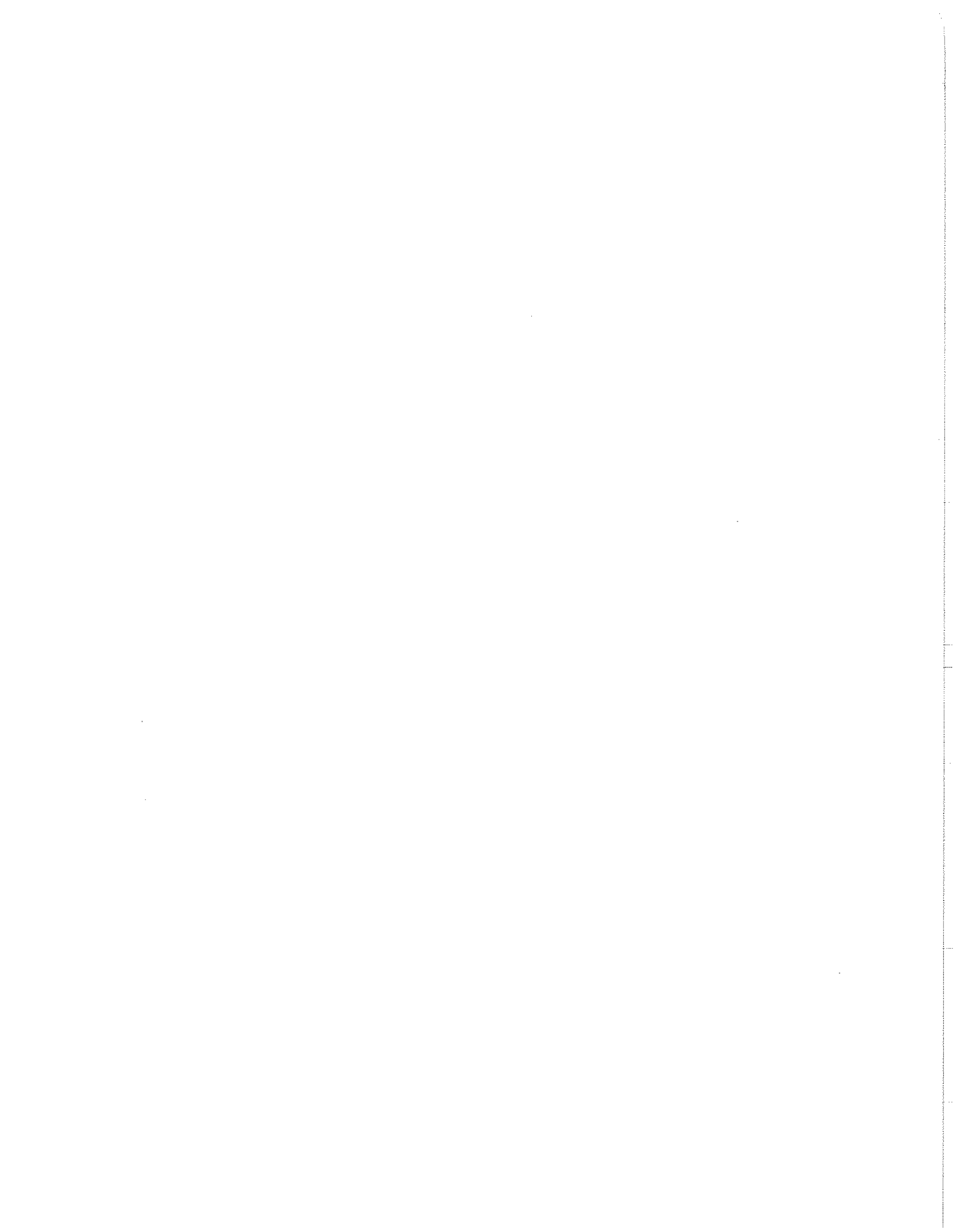
BOROUGH OF NEW MILFORD

BERGEN COUNTY

PART I

REPORT OF AUDIT OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208
FAIR LAWN, NJ 07410
TELEPHONE (201) 791-7100
FACSIMILE (201) 791-3035
WWW.LVHCPA.COM

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ANDREW PARENTE, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of New Milford, as of December 31, 2012 and 2011, and the related statements of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and presented by the Borough of New Milford on the basis of financial accounting and reporting principles and practices that demonstrate compliance with the regulatory basis of accounting and budget laws prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of New Jersey for municipal government entities.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the requirement that the Borough of New Milford prepare and present its financial statements on the regulatory basis of accounting as discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph above, 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, 2012 and 2011, or changes in financial position for the years then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

As discussed in Note 15 of the financial statements, the financial statements – regulatory basis of the Length of Service Award Program (LOSAP) Trust Fund have not been audited, and we were not required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, to audit nor were we engaged to audit the LOSAP Trust Fund financial statements as part of our audit of the Borough’s financial statements as of and for the years ended December 31, 2012 and 2011. The LOSAP Trust Fund financial activities are included in the Borough’s Trust Funds, and represent 43 percent and 35 percent of the assets and liabilities, respectively, of the Borough’s Trust Funds as of December 31, 2012 and 2011.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Trust Fund financial statements been audited as described in the “Basis for Qualified Opinion on Regulatory Basis of Accounting” paragraph above, the financial statements – regulatory basis referred to above present fairly, in all material respects, the financial position – regulatory basis of the various funds and account group of the Borough of New Milford as of December 31, 2012 and 2011, and the results of operations and changes in fund balance – regulatory basis of such funds for the years then ended and the revenues – regulatory basis and expenditures – regulatory basis of the various funds for the year ended December 31, 2012 in accordance with the basis of financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

Other Matters

Required Supplementary Information

The Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. A management discussion and analysis is not required by the financial accounting and reporting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey to supplement the regulatory basis financial statements and therefore it has not been presented by management. Our opinion on the financial statements – regulatory basis is not affected by this missing information.

Other Information

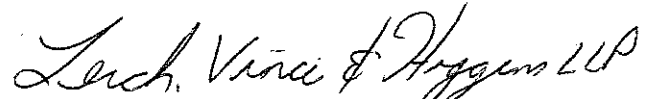
Our audit was conducted for the purpose of forming an opinion on the financial statements of the Borough of New Milford as a whole. The supplementary schedules listed in the table of contents, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, schedule of expenditures of state financial assistance as required by NJ OMB Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the financial statements of the Borough of New Milford.

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

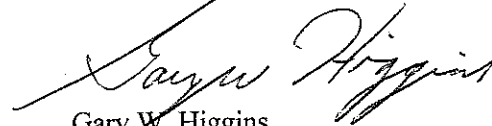
The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 12, 2013 on our consideration of the Borough of New Milford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of New Milford's internal control over financial reporting and compliance.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 12, 2013

BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	A-4	\$ 2,635,933	\$ 4,693,359
Cash - Change Funds	A-6	450	575
Cash - Petty Cash	A-7		100
Due from State of New Jersey			
Veterans' and Senior Citizens' Deductions	A-8	10,026	8,263
Grants Receivable	A-17	<u>1,623,726</u>	<u>1,715</u>
		<u>4,270,135</u>	<u>4,704,012</u>
Receivables and Other Assets With Full Reserves			
Taxes Receivable	A-9	543,075	488,794
Tax Title Liens Receivable	A-10	11,785	10,353
Revenue Accounts Receivable	A-11	20,942	14,846
Due from General Capital Fund	C-4	729	102,656
Due from Other Trust Fund	B-6	119	
Due from Animal Control Trust Fund	B-19	<u>7,117</u>	<u>1,866</u>
		<u>583,767</u>	<u>618,515</u>
Deferred Charges			
Special Emergency Authorizations	A-13	5,000	10,000
Emergency Authorizations	A-12	<u>75,000</u>	<u>127,400</u>
		<u>80,000</u>	<u>137,400</u>
Total Assets		<u>\$ 4,933,902</u>	<u>\$ 5,459,927</u>

BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
CURRENT FUND
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES, RESERVES AND FUND BALANCE			
Liabilities			
Appropriation Reserves	A-3,A-16	\$ 836,755	\$ 925,354
Encumbrances Payable	A-20	552,327	371,502
Due to Open Space Trust Fund	B-7		1
Due to Other Trust Fund	B-6		131
Prepaid Taxes	A-14	310,615	262,965
Miscellaneous Reserves	A-18	16,910	17,718
Tax Overpayments	A-21	10,716	5,035
Reserve for Grants and Aid - Unappropriated	A-26	26,963	57,065
Reserve for Grants and Aid - Appropriated	A-27	1,674,147	91,338
County Taxes Payable	A-24	4,002	7,517
Municipal Open Space Taxes Payable	A-23	97	131
Notes Payable	A-25		127,400
Tax Anticipation Notes Payable	A-19		2,500,000
Reserve for FEMA	A-15	-	27,258
		<u>3,432,532</u>	<u>4,393,415</u>
Reserve for Receivables	A	583,767	618,515
Fund Balance	A-1	<u>917,603</u>	<u>447,997</u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 4,933,902</u>	<u>\$ 5,459,927</u>

BOROUGH OF NEW MILFORD
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
REVENUE AND OTHER CREDITS TO INCOME			
Fund Balance Utilized	A-2	\$ 130,088	\$ 125,200
Miscellaneous Revenue Anticipated	A-2	4,330,436	2,805,316
Receipts from Delinquent Taxes	A-2	464,137	517,086
Receipts from Current Taxes	A-2	46,943,670	46,236,569
Non-Budget Revenue	A-2	225,265	87,922
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-16	547,569	312,896
Interfunds Returned	A	<u>104,522</u>	<u>3,159</u>
 Total Income		 <u>52,745,687</u>	 <u>50,088,148</u>
 EXPENDITURES AND OTHER DEBITS			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	7,047,765	7,295,249
Other Expenses	A-3	9,794,670	7,878,538
Capital Improvements	A-3	40,000	46,500
Debt Service	A-3	1,047,917	909,510
Deferred Charges and Statutory Expenditures	A-3	1,646,989	1,628,671
Judgments	A-3	30,000	
Local District School Tax	A-22	28,226,840	27,774,251
County Taxes	A-24	4,168,740	4,052,560
Due County for Added and Omitted Taxes	A-24	4,241	7,756
County Open Space Taxes	A-24	48,114	49,441
Municipal Open Space Taxes	A-23	97,290	98,096
Added Taxes - Municipal Open Space Taxes	A-23	97	131
Prior Year Tax Appeals Granted	A-21	60,365	12,469
Grants Receivable Cancelled	A-1		120,352
Interfunds Created	A	<u>7,965</u>	<u>104,522</u>
 Total Expenditures and Other Debits		 <u>52,220,993</u>	 <u>49,978,046</u>
 Excess in Revenue		 524,694	 110,102

BOROUGH OF NEW MILFORD
COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -
REGULATORY BASIS - CURRENT FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Excess in Revenue (Carried Forward)	A-1	\$ 524,694	\$ 110,102
Adjustments to Income before Fund Balance:			
Expenditures Included Above Which are by			
Statute Deferred Charges to Budget			
of Succeeding Year	A-12	<u>75,000</u>	<u>127,400</u>
Statutory Excess to Fund Balance		599,694	237,502
Fund Balance, January 1	A	<u>447,997</u>	<u>335,695</u>
		1,047,691	573,197
Decreased by:			
Utilization as Anticipated Revenue	A-1	<u>130,088</u>	<u>125,200</u>
Fund Balance, December 31	A	<u>\$ 917,603</u>	<u>\$ 447,997</u>

BOROUGH OF NEW MILFORD
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Reference</u>	2012 Anticipated <u>Budget</u>	<u>Added</u> by NJS <u>40A:4-87</u>	Realized <u>in 2012</u>	Excess or <u>(Deficit)</u>
Fund Balance Anticipated	A-1	\$ 130,088	-	\$ 130,088	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-11	11,120		11,365	\$ 245
Other	A-11	10,500		31,078	20,578
Fees and Permits					
Other	A-2	9,300		4,006	(5,294)
Fines and Costs - Municipal Court	A-11	167,200		122,458	(44,742)
Interest and Costs on Taxes	A-11	90,000		95,388	5,388
Interest on Investments and Deposits	A-2	1,200		4,105	2,905
Fire Safety Act Fees	A-11	8,900		9,402	502
Recreation Fees	A-11	43,000		42,640	(360)
Consolidated Municipal Property Tax Relief	A-11	45,820		45,820	
Energy Receipts Tax	A-11	1,569,258		1,569,258	
Uniform Construction Code Fees	A-11	157,000		142,184	(14,816)
State and Federal Revenues Offset					
With Appropriations					
Recycling Tonnage Grant	A-17	34,483		34,483	
Drunk Driving Enforcement Fund	A-17	1,740		1,740	
Bulletproof Vest Partnership	A-17	162	\$ 1,853	1,853	
Alcohol Education and Rehabilitation	A-17			162	
Drive Sober/Get Pulled Over	A-17		4,400	4,400	
HAVA-Polling Places	A-17		2,995	2,995	
OEM-Hazard Mitigation	A-17		1,612,301	1,612,301	
Title III	A-17	20,680	20,680	41,360	
Clean Communities Program	A-17	23,523		23,523	
Other Special Items:					
Cable TV Franchise Fees	A-11	210,349		210,349	
General Capital Fund Surplus	C-4	29,511		29,511	
Life Hazard Use Fees	A-11	11,300		8,806	(2,494)
Reserve for FEMA	A-15	27,258		27,258	
FEMA Reimbursement	A-11	74,615		74,615	
Sewer Fees	A-11	14,000		5,027	(8,973)
Recycling Revenue	A-11	139,000		101,320	(37,680)
Cell Tower Rent -Gaelic Communications	A-11	71,600		64,280	(7,320)
Reserve for Payment of Debt	C-4	8,749	-	8,749	-
	A-1	<u>2,780,268</u>	<u>1,642,229</u>	<u>4,330,436</u>	<u>(92,061)</u>
Receipts from Delinquent Taxes	A-9	<u>482,300</u>	-	<u>464,137</u>	<u>(18,163)</u>
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for Municipal Purposes	A-2	14,422,477		14,312,441	(110,036)
Minimum Library Tax	A-2	645,907	-	645,907	-
		<u>15,068,384</u>	<u>-</u>	<u>14,958,348</u>	<u>(110,036)</u>
Budget Totals		<u>\$ 18,461,040</u>	<u>\$ 1,642,229</u>	19,883,009	<u>\$ (220,260)</u>
Non-Budget Revenue	A-2			<u>225,265</u>	
				<u>\$ 20,108,274</u>	

The Accompanying Notes are an Integral Part of these Financial Statements

BOROUGH OF NEW MILFORD
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Reference</u>	
ANALYSIS OF REALIZED REVENUES		
Allocation of Current Tax Collections		
Revenue from Collections	A-9	\$ 46,943,670
Allocated to School, County and Special District Taxes	A-22, A-23, A-24	<u>32,545,322</u>
		14,398,348
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>560,000</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 14,958,348</u>
Fees and Permits - Other		
Tax Office	A-11	\$ 14
Search Companies	A-11	363
Gun Permits	A-11	286
Photostats	A-11	3,161
Fingerprints	A-11	160
Duplicate Tax Bills	A-11	<u>22</u>
	A-2	<u>\$ 4,006</u>
Interest on Investments and Deposits		
Revenue Accounts Receivable	A-11	\$ 3,257
Due from Other Trust Fund	B-6	119
Due from General Capital Fund	C-4	<u>729</u>
	A-2	<u>\$ 4,105</u>
<u>Reference</u>		
Analysis of Non-Budget Revenue		
Miscellaneous Receipts		\$ 73,970
NJ Bureau of Housing		253
Restitution		3,089
Bad Check Fees		200
Prior Year Voided Checks		4,325
BCUA Rebate Sewer		222
Mid Bergen Rent		2,250
FEMA Reimbursement		131,039
Statutory Excess-Animal Control Fund		7,117
Administrative Fee- Seniors and Veterans		<u>2,800</u>
	A-2	<u>\$ 225,265</u>
<u>Reference</u>		
Cash Receipts	A-4	\$ 218,148
Amount Due from Animal Control Trust Fund	B-19	<u>7,117</u>
	A-2	<u>\$ 225,265</u>

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012 Appropriated</u>		<u>2012 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS"					
GENERAL GOVERNMENT					
General Administration					
Salaries and Wages	\$ 22,100	\$ 22,100	\$ 21,671	\$ 429	
Mayor and Council					
Salaries and Wages	14,500	14,500	14,500	-	
Other Expenses	7,500	7,500	7,500	-	
Municipal Clerk					
Salaries and Wages	206,200	212,500	212,001	499	
Other Expenses	94,250	97,250	94,626	2,624	
Financial Administration					
Other Expenses	45,000	45,000	36,961	8,039	
Audit Services					
Other Expenses	37,500	37,500	37,500	-	
Collection of Taxes					
Salaries and Wages	174,000	174,000	169,794	4,206	
Other Expenses	26,153	26,153	23,243	2,910	
Assessment of Taxes					
Salaries and Wages	46,700	47,800	47,747	53	
Other Expenses	158,000	157,900	150,609	7,291	
Legal Services and Costs					
Legal Serv & Costs	100,000	175,000	130,539	44,461	
Engineering Services and Costs					
Other Expenses	9,100	14,100	11,679	2,421	
LAND USE ADMINISTRATION					
Planning Board					
Other Expenses	12,200	12,200	10,036	2,164	
Zoning Board of Adjustment					
Salaries and Wages		200	105	95	
Other Expenses	7,963	7,963	3,989	3,974	
INSURANCE					
Liability	52,558	52,558	42,229	10,329	
Liability - Bergen Joint Insurance Fund	273,522	273,522	244,873	28,649	
Workers Compensation -BJIF	289,952	289,952	284,384	5,568	
Employee Group Insurance	1,963,713	1,820,213	1,757,709	62,504	
Health Benefit Waiver	20,287	20,287	20,287	-	
PUBLIC SAFETY					
Police					
Salaries and Wages	4,334,467	4,444,467	4,418,970	25,497	
Other Expenses	218,800	218,800	201,706	17,094	
Fire					
Salaries and Wages	2,900	2,900	2,050	850	
Other Expenses	101,100	101,100	100,270	830	
First Aid Organization	36,200	36,200	36,200	-	

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>2012 Appropriated</u>		<u>2012 Expended</u>		<u>Cancelled</u>
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	
OPERATIONS - WITHIN "CAPS" (Cont'd)					
PUBLIC SAFETY (Continued)					
Fire Official					
Salaries and Wages	\$ 14,800	\$ 14,800	\$ 14,672	\$ 128	
Other Expenses	1,500	1,500	660	840	
Emergency Management Services					
Other Expenses	6,270	6,270	3,118	3,152	
PUBLIC WORKS					
Road Repairs and Maintenance					
Salaries and Wages	1,468,400	1,433,900	1,357,082	76,818	
Other Expenses	220,500	220,500	170,080	50,420	
Garbage and Trash Removal					
Other Expenses	867,000	867,000	791,191	75,809	
Recycling					
Salaries and Wages	47,900	47,900	19,194	28,706	
Other Expenses	288,000	288,000	239,649	48,351	
Public Buildings and Grounds					
Salaries and Wages	85,700	86,800	86,020	780	
Other Expenses	57,320	62,320	59,141	3,179	
Vehicle Maintenance					
Other Expenses	27,000	36,000	27,912	8,088	
HEALTH & HUMAN SERVICES					
Board of Health					
Salaries and Wages	103,700	103,700	101,510	2,190	
Other Expenses	61,870	61,870	58,150	3,720	
New Milford Blood Bank					
Other Expenses	50	50		50	
Environmental Committee					
Salaries and Wages	770	770	700	70	
Other Expenses	750	750	280	470	
Animal Control Services					
Other Expenses	26,568	26,568	26,472	96	
PARK AND RECREATION					
Recreation Services and Programs					
Salaries and Wages	73,328	77,228	73,175	4,053	
Other Expenses	88,000	88,000	87,436	564	
Historical Commission					
Other Expenses	1,000	1,000	1,000	-	
Shade Tree Committee					
Other Expenses	7,200	7,200	730	6,470	
Senior Citizens' Program					
Salaries and Wages	109,400	109,400	90,504	18,896	
Other Expenses	25,250	25,250	14,646	10,604	

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>2012 Appropriated</u>		<u>2012 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - WITHIN "CAPS" (Cont'd)					
STATE UNIFORM CONSTRUCTION CODE					
(52:27D-120 et seq.)					
Construction Code Official					
Salaries and Wages	\$ 124,700	\$ 125,700	\$ 124,903	\$ 797	
Other Expenses	9,300	9,300	8,647	653	
Rent Leveling Board					
Salaries and Wages	600	600	350	250	
Other Expenses	2,600	5,600	3,852	1,748	
UTILITY EXPENSES AND BULK PURCHASES					
Utilities					
Electricity	184,000	144,000	125,463	18,537	
Street Lighting	90,000	130,000	125,604	4,396	
Telephone	68,410	60,410	44,473	15,937	
Water	212,250	244,250	232,449	11,801	
Gas and Oil	150,000	150,000	121,370	28,630	
Salary and Wage Adjustment	143,300	143,300		143,300	
OTHER COMMON OPERATING FUNCTIONS					
(UNCLASSIFIED)					
Celebration of Events					
Other Expenses	4,564	4,564	4,363	201	
Municipal Court					
Salaries and Wages	124,700	124,700	117,219	7,481	
Other Expenses	11,300	11,300	6,786	4,514	
Public Defender (P.L. 1977, C. 256)					
Salaries and Wages	4,000	4,000	4,000	-	-
Total Operations Within "CAPS"	<u>12,966,665</u>	<u>13,036,165</u>	<u>12,223,979</u>	<u>812,186</u>	<u>-</u>
Detail:					
Salaries and Wages	6,958,865	7,047,765	6,876,062	171,703	-
Other Expenses	<u>6,007,800</u>	<u>5,988,400</u>	<u>5,347,917</u>	<u>640,483</u>	<u>-</u>
Deferred Charges and Statutory Expenditures -					
Municipal Within "CAPS"					
Statutory Charges					
Social Security System (O.A.S.I.)	331,400	331,400	314,905	16,495	
Unemployment	32,000	32,000	32,000		
Public Employees Retirement System	359,507	359,507	359,507		
Police and Fireman's Retirement System	790,682	790,682	790,682		
Defined Contribution Retirement Program	1,000	1,000	629	371	-
Total Deferred Charges & Statutory Expenditures -					
Municipal Within "CAPS"	<u>1,514,589</u>	<u>1,514,589</u>	<u>1,497,723</u>	<u>16,866</u>	<u>-</u>
Total General Appropriations for Municipal					
Purposes Within "CAPS"	<u>14,481,254</u>	<u>14,550,754</u>	<u>13,721,702</u>	<u>829,052</u>	<u>-</u>

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>2012 Appropriated</u>		<u>2012 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
OPERATIONS - EXCLUDED FROM "CAPS"					
Bergen County Utilities Authority -					
Service Charges - Operating	\$ 910,000	\$ 915,500	\$ 915,424	\$ 76	
Service Charges-Debt Service	398,181	398,181	398,181		
 EDUCATIONAL FUNCTIONS					
Maintenance of Free Public Library (Ch. 82, 541 P.L. 85)	694,772	694,772	694,645	127	
LOSAP	75,000	75,000	67,500	7,500	-
 Total Other Operations Excluded from "CAPS"	<u>2,077,953</u>	<u>2,083,453</u>	<u>2,075,750</u>	<u>7,703</u>	<u>-</u>
 Public and Private Programs Offset by Revenues					
Body Armor Replacement Program		1,853	1,853		-
Recycling Tonnage Grant	34,483	34,483	34,483		-
Alcohol Education and Rehabilitation	162	162	162		
Drunk Driving Enforcement Fund	1,740	1,740	1,740		
Drive Sober/ Get Pulled Over		4,400	4,400		
Clean Communities Program	23,523	23,523	23,523		-
HAVA Polling Places		2,995	2,995		
OEM Hazard Mitigation		1,612,301	1,612,301		
Title III	20,680	41,360	41,360		-
 Total Public and Private Programs Offset by Revenues	<u>80,588</u>	<u>1,722,817</u>	<u>1,722,817</u>	<u>-</u>	<u>-</u>
 Total Operations Excluded from "CAPS"	<u>2,158,541</u>	<u>3,806,270</u>	<u>3,798,567</u>	<u>7,703</u>	<u>-</u>
 Detail:					
Other Expenses	<u>2,158,541</u>	<u>3,806,270</u>	<u>3,798,567</u>	<u>7,703</u>	<u>-</u>
 CAPITAL IMPROVEMENTS					
Capital Improvement Fund	40,000	40,000	40,000		-
 Total Capital Improvements	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
 MUNICIPAL DEBT SERVICE					
Payment of Bond Principal	700,000	700,000	700,000		
Interest on Notes	92,450	92,450	81,569		\$ 10,881
Interest on Bonds	154,600	154,600	154,600		-
Loan Repayments for Principal and Interest	26,900	26,900	26,857		43
New Jersey EIT Loan-Principal and Interest	84,895	84,895	84,891		4
 Total Municipal Debt Service	<u>1,058,845</u>	<u>1,058,845</u>	<u>1,047,917</u>	<u>-</u>	<u>10,928</u>
 DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"					
Emergency Authorizations	127,400	127,400	127,400		
Special Emergency Authorizations-5 Years (N.J.S. 40A:4-55)	5,000	5,000	5,000		-
 Total Deferred Charges - Municipal Excluded from "CAPS"	<u>132,400</u>	<u>132,400</u>	<u>132,400</u>	<u>-</u>	<u>-</u>

BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)

	<u>2012 Appropriated</u>		<u>2012 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Judgements	\$ 30,000	\$ 30,000	\$ 30,000	-	-
Total General Appropriations - Excluded from "CAPS"	<u>3,419,786</u>	<u>5,067,515</u>	<u>5,048,884</u>	\$ 7,703	\$ 10,928
Subtotal General Appropriations	17,901,040	19,618,269	18,770,586	836,755	10,928
Reserve for Uncollected Taxes	<u>560,000</u>	<u>560,000</u>	<u>560,000</u>	-	-
Total General Appropriations	<u>\$ 18,461,040</u>	<u>\$ 20,178,269</u>	<u>\$ 19,330,586</u>	<u>\$ 836,755</u>	<u>\$ 10,928</u>

Reference

A-2

A

**BOROUGH OF NEW MILFORD
STATEMENT OF EXPENDITURES - REGULATORY BASIS
CURRENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2012
(Continued)**

	<u>Reference</u>	Budget After <u>Modification</u>	<u>Paid or Charged</u>
Budget as Adopted	A-2	\$ 18,461,040	
Added by N.J.S. 40A:4-87	A-2	1,642,229	
Added by Emergency Authorizations	A-12	<u>75,000</u>	
		<u>\$ 20,178,269</u>	
Cash Disbursed	A-4		\$ 16,992,364
Less: Budget Offsets	A-4		<u>652,056</u>
			16,340,308
Reserve for Uncollected Taxes	A-2		560,000
Transfer to Appropriated Grant Reserve	A-27		1,722,817
Deferred Charges			
Special Emergency Authorizations	A-13		5,000
Emergency Authorizations	A-12		127,400
Due to General Capital Fund	C-4		40,000
Encumbrances Payable	A-20		<u>535,061</u>
			<u>\$ 19,330,586</u>

BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Animal Control Trust Fund			
Cash	B-3	\$ <u>20,273</u>	\$ <u>16,901</u>
Other Trust Fund			
Cash	B-3	523,010	529,943
Due from Current Fund	B-6	<u>-</u>	<u>131</u>
		<u>523,010</u>	<u>530,074</u>
Unemployment Compensation Insurance Trust Fund			
Cash	B-3	<u>20,481</u>	<u>8,019</u>
Recreation Trust Fund			
Cash	B-3	<u>493</u>	<u>1,180</u>
Medical Claims Trust Fund			
Cash	B-3	<u>57,848</u>	<u>53,753</u>
Community Development Block Grant Trust Fund			
Cash	B-3	<u>8</u>	<u>470</u>
Open Space Trust Fund			
Cash	B-3	264,267	508,179
Open Space Taxes Receivable	B-8	97	131
Due from Current Fund	B-7	<u>-</u>	<u>1</u>
		<u>264,364</u>	<u>508,311</u>
Length of Service Award Program Trust Fund (Unaudited)			
Investments	B	609,371	475,909
Due from Other Trust Fund	B-20		77,804
Contribution Receivable	B	<u>67,500</u>	<u>43,593</u>
		<u>676,871</u>	<u>597,306</u>
Total Assets		<u>\$ 1,563,348</u>	<u>\$ 1,716,014</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
TRUST FUNDS
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
LIABILITIES AND RESERVES			
Animal Control Trust Fund			
Due to State of New Jersey	B-5	\$ 16	\$ 26
Reserve for Animal Control Fund Expenditures	B-4	13,140	15,009
Due to Current Fund	B-19	<u>7,117</u>	<u>1,866</u>
		<u>20,273</u>	<u>16,901</u>
Other Trust Fund			
Due to Current Fund	B-6	119	
Miscellaneous Reserves	B-9	522,891	452,270
Due to LOSAP Trust Fund	B-20	<u>-</u>	<u>77,804</u>
		<u>523,010</u>	<u>530,074</u>
Unemployment Compensation Insurance Trust Fund			
Reserve for Unemployment Compensation Insurance	B-14	18,914	4,040
Due to the State of New Jersey	B-15	<u>1,567</u>	<u>3,979</u>
		<u>20,481</u>	<u>8,019</u>
Recreation Trust Fund			
Reserve for Recreation Expenditures	B-10	<u>493</u>	<u>1,180</u>
Medical Claims Trust Fund			
Reserve for Medical Claims Expenditures	B-11	<u>57,848</u>	<u>53,753</u>
Community Development Block Grant Trust Fund			
Due to General Capital Fund	B-16		462
Due to County of Bergen	B-13	7	7
Reserve for Community Development Expenditures	B-12	<u>1</u>	<u>1</u>
		<u>8</u>	<u>470</u>
Open Space Trust Fund			
Due to General Capital Fund	B-18	189,633	312,181
Reserve for Open Space Expenditures	B-17	<u>74,731</u>	<u>196,130</u>
		<u>264,364</u>	<u>508,311</u>
Length of Service Award Program Trust Fund (Unaudited)			
Reserve for LOSAP	B	<u>676,871</u>	<u>597,306</u>
Total Liabilities and Reserves		<u>\$ 1,563,348</u>	<u>\$ 1,716,014</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF NEW MILFORD
STATEMENT OF REVENUES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Reference</u>	<u>Anticipated (Memo)</u>		<u>2012 Realized</u>	<u>Excess or (Deficit)</u>
		<u>Budget</u>	<u>Budget After Modification</u>		
Amount to be Raised by Taxation	B-17	\$ 97,290	\$ 97,290	\$ 97,387	\$ 97
Trust Fund Balance Anticipated		-	210,000	210,000	-
		<u>\$ 97,290</u>	<u>\$ 307,290</u>	307,387	<u>\$ 97</u>
Non-Budget Revenue	B-17			451	
				<u>\$ 307,838</u>	
Analysis of Non-Budget Revenue					
Interest on Investments and Deposits				<u>\$ 451</u>	

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Reference</u>	<u>Anticipated (Memo)</u>		<u>Paid or Charged</u>	<u>Excess or (Deficit)</u>
		<u>Budget</u>	<u>Budget After Modification</u>		
Reserve for Future Use	B-17	\$ 97,290	\$ 97,290	\$ 9,237	\$ 88,053
Down Payments on Improvements		-	210,000	210,000	-
		<u>\$ 97,290</u>	<u>\$ 307,290</u>	<u>\$ 219,237</u>	<u>\$ 88,053</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL CAPITAL FUND
AS OF DECEMBER 31, 2012 AND 2011**

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	C-2,C-3	\$ 1,014,620	\$ 436,558
Deferred Charges to Future Taxation			
Funded	C-5	5,714,025	6,465,360
Unfunded	C-6	3,942,813	3,273,374
Grants and Contributions Receivable	C-12	706,616	489,488
EIT Loan Receivable	C-16	407,508	841,784
Due from Open Space Trust Fund	B-18	189,633	312,181
Due from Community Development Trust Fund	B-16	-	462
		<u> </u>	<u> </u>
Total Assets		<u>\$ 11,975,215</u>	<u>\$ 11,819,207</u>
LIABILITIES, RESERVES AND FUND BALANCE			
General Serial Bonds	C-10	\$ 4,595,000	\$ 5,295,000
Bond Anticipation Notes	C-17	3,654,000	2,954,575
EIT Loans Payable	C-15	1,119,025	1,170,360
Contracts Payable	C-8	424,038	487,332
Due to Current Fund	C-4	729	102,656
Improvement Authorizations			
Funded	C-9	795,166	505,489
Unfunded	C-9	897,294	908,847
Capital Improvement Fund	C-7	6,250	10,700
Reserve for Legislative Grant	C-11	30,000	30,000
Reserve for Payment of Debt	C-13	-	8,749
Reserve for Grants Receivable	C-14	447,637	315,988
Fund Balance	C-1	6,076	29,511
		<u> </u>	<u> </u>
Total Liabilities, Reserves and Fund Balance		<u>\$ 11,975,215</u>	<u>\$ 11,819,207</u>

There were bonds and notes authorized but not issued on December 31, 2012 and 2011 in the amount of \$758,357 and \$575,357 respectively (Exhibit C-18).

BOROUGH OF NEW MILFORD
COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS
GENERAL CAPITAL FUND
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>Reference</u>	<u>2012</u>	<u>2011</u>
Balance, January 1	C	\$ <u>29,511</u>	\$ <u>52,631</u>
Increased by:			
Premium on Sale of Bonds and Notes	C-2	6,076	
Due from Current Fund - Premium on Notes	C-1	-	386
Cancelled Improvement Authorizations	C-1	<u>-</u>	<u>162,831</u>
		<u>6,076</u>	<u>163,217</u>
		35,587	215,848
Decreased by:			
Grants Receivable Balances Cancelled	C-1	-	133,681
Utilized as Revenue in Current Fund	C-4	<u>29,511</u>	<u>52,656</u>
		<u>29,511</u>	<u>186,337</u>
Balance, December 31	C	<u>\$ 6,076</u>	<u>\$ 29,511</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
PUBLIC ASSISTANCE FUND
AS OF DECEMBER 31, 2012 AND 2011**

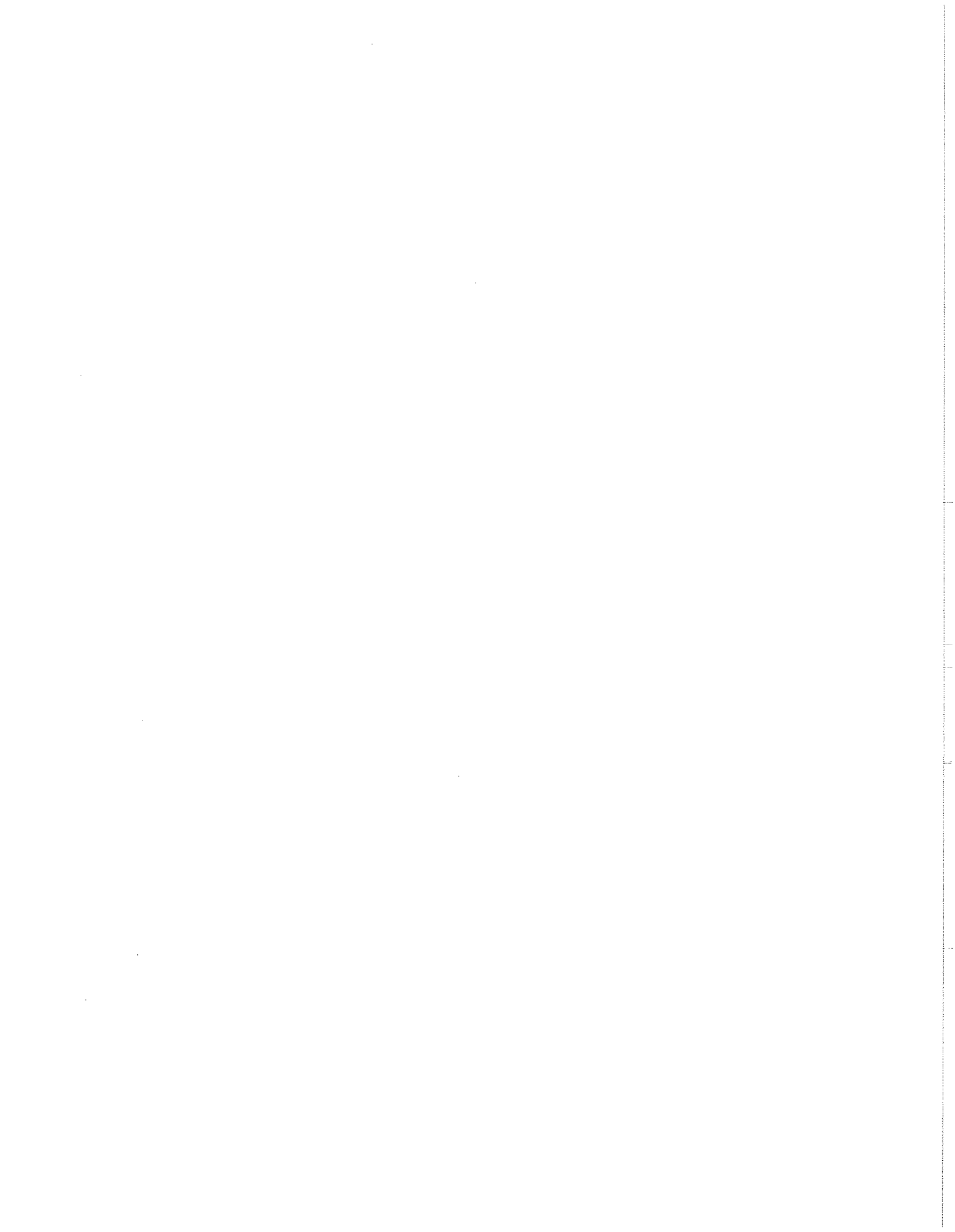
	<u>Reference</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Cash	D-1	\$ <u>12,011</u>	\$ <u>11,144</u>
RESERVES			
Reserve for Public Assistance	D-2	\$ <u>12,011</u>	\$ <u>11,144</u>

**BOROUGH OF NEW MILFORD
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS
GENERAL FIXED ASSETS ACCOUNT GROUP
AS OF DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
General Fixed Assets:		
Land	\$ 35,224,300	\$ 35,224,300
Buildings and Building Improvements	4,646,000	4,646,000
Machinery and Equipment	<u>4,640,721</u>	<u>4,994,561</u>
 Total General Fixed Assets	 <u>\$ 44,511,021</u>	 <u>\$ 44,864,861</u>
 Investment in General Fixed Assets	 <u>\$ 44,511,021</u>	 <u>\$ 44,864,861</u>

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NOTES TO FINANCIAL STATEMENTS



**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Regulatory Basis of Accounting

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

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

B. Reporting Entity

The Borough of New Milford (the "Borough") was incorporated in 1922 and operates under an elected 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 requires the financial reporting entity to include both the primary government and component units. Component units are legally separate organizations for which the Borough is financially accountable. The Borough is financially accountable for an organization if the Borough appoints a voting majority of the organization's governing board and (1) the Borough is able to significantly influence the programs or services performed or provided by the organization; or (2) the Borough is legally entitled to or can otherwise access the organization's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Borough is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. The Borough is not includable in any other reporting entity as a component unit.

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

C. Measurement Focus, Basis of Accounting and Financial Statement 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. The Borough also uses an account group, which is designed to provide accountability for certain assets that are not recorded in those Funds.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The Borough has the following funds and account group:

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

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

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

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

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

Recreation Trust Fund - This fund is used to account for the 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 plans.

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

Open Space Trust Fund – This fund is used to account for the resources and expenditures for the Borough’s Open Space Trust.

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

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

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

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

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. A penalty of up to 6% of the delinquency may be imposed on a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the fiscal year in which the charges become delinquent. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of 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 standard tax sale. The Borough also has the option when unpaid taxes or any municipal lien, or part thereof, on real property remains in arrears on the 11th day of the eleventh month in the fiscal year when the taxes or lien became in arrears, the collector in the municipality shall, subject to the provisions of the New Jersey Statutes, enforce the lien by placing property on an accelerated tax sale, provided that the sale is conducted and completed no earlier than in the last month of the fiscal year. The Borough may institute annual in rem tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the tax receivable and tax title liens that are uncollectible. GAAP requires property tax revenues to be recognized in the accounting period when they become susceptible to accrual (i.e., when they are both levied and available), reduced by an allowance for doubtful accounts.

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Grant and Similar Award 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 as soon as all eligibility requirements imposed by the grantor or provider have been met.

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

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

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

The governing body is required to introduce and approve the annual budget no later than February 10, of the fiscal year. The budget is required to be adopted no later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. The governing body of the municipality may authorize emergency appropriations and the inclusion of certain special items of revenue to the budget after its adoption and determination of the tax rate. During the last two months of the fiscal year, the governing body may, by a 2/3 vote; amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the governing body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2012 and 2011 the Borough Council increased the original budget by \$1,717,229 and \$140,613, respectively. The increases in 2012 were funded by additional aid allotted to the Borough of \$1,642,229 and an emergency authorization for \$75,000. In 2011, the increases were funded by additional aid allotted to the Borough of \$13,213 and an emergency authorization for \$127,400. In addition, the governing body approved several budget transfers during 2012 and 2011.

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

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

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

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

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

Incurred But Not Reported (IBNR) Reserves and Claims Payable - The Borough has not created a reserve for any potential unreported self-insurance losses which have taken place but in which the Borough has not received notices or report of losses (i.e. IBNR). Additionally, the Borough has not recorded a liability for those claims filed, but which have not been paid (i.e. claims payable). GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining potential claims are recorded as a long-term obligation in the government-wide financial statements.

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

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

General Fixed Assets (Continued)

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

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

No depreciation has been provided for in the financial statements.

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

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

Reclassifications - Certain reclassifications may have been made to the December 31, 2011 balances to conform to the December 31, 2012 presentation.

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

D. Financial Statements – Regulatory Basis

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS

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

Deposits

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

Bank balances for interest bearing accounts are insured up to \$250,000 in the aggregate by the FDIC for each bank. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, temporary unlimited deposit insurance coverage was provided for non-interest bearing accounts from December 31, 2010 through December 31, 2012. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2012 and 2011, the book value of the Borough's deposits were \$4,549,393 and \$6,260,180 and bank and brokerage firm balances of the Borough's deposits amounted to \$4,673,966 and \$6,454,996, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2012</u>	<u>2011</u>
Insured	\$ 4,673,966	\$ 6,443,414
Uninsured and Uncollateralized	-	11,582
	\$ 4,673,966	\$ 6,454,996

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2012 and 2011, the Borough's bank balances of \$-0- and \$11,582 were exposed to custodial credit risk as follows:

	<u>2012</u>	<u>2011</u>
Uninsured and uncollateralized	\$ -	\$ 11,582

**BOROUGH OF NEW MILFORD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments

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

As of December 31, 2012 and 2011, the Borough had the following investments:

	<u>Fair Value (Unaudited)</u>	
	<u>2012</u>	<u>2011</u>
Investments Not Subject to Categorization:		
Length of Service Award Program	<u>\$ 609,371</u>	<u>\$ 475,909</u>

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices. As of December 31, 2012 and 2011, the Borough’s investment in Lincoln Financial, a subsidiary of Lincoln National Corporation, was rated Baa2 by Moody’s Investors Service.

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

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

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 3 TAXES RECEIVABLE

Receivables at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
<u>Current</u>		
Property Taxes	\$543,075	\$488,794
Tax Title Liens	<u>11,785</u>	<u>10,353</u>
	<u>\$554,860</u>	<u>\$499,147</u>

In 2012 and 2011, the Borough collected \$464,137 and \$517,086 from delinquent taxes, which represented 93% and 97% of the prior year delinquent taxes receivable balance.

NOTE 4 MUNICIPAL DEBT

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

The Borough's debt is summarized as follows:

	<u>2012</u>	<u>2011</u>
Issued		
General		
Bonds, Notes and Loans	\$ 9,368,025	\$ 9,419,935
Less Funds Temporarily Held to Pay Bonds and Notes	<u>469,544</u>	<u>265,307</u>
Net Debt Issued	8,898,481	9,154,628
Authorized But Not Issued		
General		
Bonds and Notes	<u>758,357</u>	<u>575,357</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 9,656,838</u>	<u>\$ 9,729,985</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Statutory Net Debt

The statement of debt condition that follows is extracted from the Borough's Annual Debt Statement and indicates a statutory net debt of .50% and .49% at December 31, 2012 and 2011, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2012</u>			
General Debt	\$ 10,126,382	\$ 469,544	\$ 9,656,838
School Debt	<u>3,405,000</u>	<u>3,405,000</u>	<u>-</u>
Total	<u>\$ 13,531,382</u>	<u>\$ 3,874,544</u>	<u>\$ 9,656,838</u>

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<u>2011</u>			
General Debt	\$ 9,995,292	\$ 265,307	\$ 9,729,985
School Debt	<u>3,775,000</u>	<u>3,775,000</u>	<u>-</u>
Total	<u>\$ 13,770,292</u>	<u>\$ 4,040,307</u>	<u>\$ 9,729,985</u>

Statutory Borrowing Power

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

	<u>2012</u>	<u>2011</u>
3-1/2% of Equalized Valuation Basis (Municipal)	\$ 66,775,533	\$ 69,455,556
Net Debt	<u>9,656,838</u>	<u>9,729,985</u>
Remaining Borrowing Power	<u>\$ 57,118,695</u>	<u>\$ 59,725,571</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Long-Term Debt

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

General Obligation Bonds

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

	<u>2012</u>	<u>2011</u>
\$3,085,000, 2005 General Bonds, due in annual installments of \$415,000 to \$445,000 through February 1, 2015, interest at 3.50%	\$ 1,285,000	\$ 1,685,000
\$4,160,000, 2009 General Improvement Bonds, due in annual installments of \$235,000 to \$475,000 through May 1, 2021, interest at 2.00%-3.50%	<u>3,310,000</u>	<u>3,610,000</u>
	<u>\$ 4,595,000</u>	<u>\$ 5,295,000</u>

General Intergovernmental Loans Payable

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

	<u>2012</u>	<u>2011</u>
\$575,000, 2010 Trust Loan, due in annual installments of \$20,000 to \$45,000 through August 1, 2030, interest at 5.00%	\$ 555,000	\$ 575,000
\$616,250, 2010 Fund Loan, due in annual installments of \$10,445 to \$20,890 through August 1, 2030, no interest	<u>564,025</u>	<u>595,360</u>
	<u>\$ 1,119,025</u>	<u>\$ 1,170,360</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2012 is as follows:

Calendar Year	General		Loans		Total
	Principal	Interest	Principal	Interest	
2013	\$ 720,000	\$ 134,288	\$ 51,335	\$ 27,750	\$ 933,373
2014	745,000	122,938	51,335	26,750	946,023
2015	790,000	89,368	51,335	25,750	956,453
2016	235,000	73,313	56,335	24,750	389,398
2017	370,000	64,238	56,335	23,500	514,073
2018-2022	1,735,000	124,020	296,675	98,000	2,253,695
2023-2027	-	-	331,675	59,750	391,425
2028-2030	-	-	224,000	13,250	237,250
Total	\$ 4,595,000	\$ 608,165	\$ 1,119,025	\$ 299,500	\$ 6,621,690

Changes in Long-Term Municipal Debt

The Borough's long-term capital debt activity for the years ended December 31, 2012 and 2011 were as follows:

	Balance, December 31, <u>2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2012</u>	Due Within <u>One Year</u>
<u>2012</u>					
General Capital Fund					
Bonds Payable	\$ 5,295,000		\$ 700,000	\$ 4,595,000	\$ 720,000
Loans Payable	<u>1,170,360</u>	<u>-</u>	<u>51,335</u>	<u>1,119,025</u>	<u>51,335</u>
General Capital Fund Long-Term Liabilities	<u>\$ 6,465,360</u>	<u>\$ -</u>	<u>\$ 751,335</u>	<u>\$ 5,714,025</u>	<u>\$ 771,335</u>
	Balance, December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<u>2011</u>					
General Capital Fund					
Bonds Payable	\$ 5,955,000		\$ 660,000	\$ 5,295,000	\$ 700,000
Loans Payable	<u>1,191,250</u>	<u>-</u>	<u>20,890</u>	<u>1,170,360</u>	<u>51,335</u>
General Capital Fund Long-Term Liabilities	<u>\$ 7,146,250</u>	<u>\$ -</u>	<u>\$ 680,890</u>	<u>\$ 6,465,360</u>	<u>\$ 751,335</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt

The Borough's short-term debt activity for the years ended December 31, 2012 and 2011 was as follows:

Bond Anticipation Notes

	Rate (%)	Maturity Date	Balance, December 31, <u>2011</u>	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, <u>2012</u>
<u>2012</u>						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Improvements to Boulevard, Sec. 5	1.25%	4/19/2013	\$ 77,000	\$ 31,933	\$ 77,000	\$ 31,933
Various Public Improvements	1.25%	4/19/2013	1,574,035	1,559,900	1,574,035	1,559,900
Various Public Improvements	1.05%	4/19/2013		881,000		881,000
Sanitary Sewer Rehabilitation	1.25%	4/19/2013	28,500	26,873	28,500	26,873
Various Public Improvements/Additional Machinery & Equipment	1.25%	4/19/2013	480,040	480,040	480,040	480,040
Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	1.25%	4/19/2013	595,000	595,000	595,000	595,000
River Road Streetscape Improvement Project, Phase IV	1.25%	4/19/2013	<u>200,000</u>	<u>79,254</u>	<u>200,000</u>	<u>79,254</u>
Total Bond Anticipation Notes Payable			<u>\$ 2,954,575</u>	<u>\$ 3,654,000</u>	<u>\$ 2,954,575</u>	<u>\$ 3,654,000</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt (Continued)

Bond Anticipation Notes (Continued)

	Rate (%)	Maturity Date	Balance, December 31, 2011	Renewed/ Issued	Retired/ Redeemed	Balance, December 31, 2012
2011						
<u>General Capital Fund</u>						
<u>Purpose</u>						
Improvements to Boulevard, Sec. 5	1.75%	4/19/2012	\$ 77,000	\$ 77,000	\$ 77,000	\$ 77,000
Various Public Improvements	1.75%	4/19/2012	932,300	1,574,035	932,300	1,574,035
Sanitary Sewer Rehabilitation	1.75%	4/19/2012	28,500	28,500	28,500	28,500
Various Public Improvements/Additional Machinery & Equipment	1.75%	4/19/2012	480,040	480,040	480,040	480,040
Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	1.75%	4/19/2012	595,000	595,000	595,000	595,000
River Road Streetscape Improvement Project, Phase IV	0.88%	4/19/2012	-	200,000	-	200,000
Total Bond Anticipation Notes Payable			<u>\$ 2,112,840</u>	<u>\$ 2,954,575</u>	<u>\$ 2,112,840</u>	<u>\$ 2,954,575</u>

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

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

In addition to the debt shown in the above schedule, municipalities may issue debt to finance emergency or special emergency appropriations or to meet cash flow needs (Tax Anticipation Notes) to temporarily finance operating expenditures. This debt which is not included in the Borough's statutory debt limit calculation is reported in the Current Fund for the years 2012 and 2011 as follows:

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt (Continued)

Emergency Notes

Any local unit may borrow money and issue its negotiable notes to meet an emergency appropriation. All emergency notes, and any renewals thereof, shall mature not later than the last day of the fiscal year following the fiscal year in which the notes were issued and the emergency appropriation authorized.

2012

<u>Emergency Notes</u>			Balance,			Balance,
<u>Purpose</u>	Rate	Maturity	December 31,	Renewed/	Retired/	December 31,
	(%)	Date	2011	Issued	Redeemed	2012
Emergency Note	0.60%	5/21/12	<u>127,400</u>	<u>-</u>	<u>127,400</u>	<u>-</u>
Total Emergency Notes			<u>\$ 127,400</u>	<u>\$ -</u>	<u>\$ 127,400</u>	<u>\$ -</u>

2011

<u>Emergency Notes</u>			Balance,			Balance,
<u>Purpose</u>	Rate	Maturity	December 31,	Renewed/	Retired/	December 31,
	(%)	Date	2010	Issued	Redeemed	2011
Emergency Note	0.60%	5/21/12	<u>\$ -</u>	<u>\$ 127,400</u>	<u>\$ -</u>	<u>\$ 127,400</u>
Total Emergency Notes			<u>\$ -</u>	<u>\$ 127,400</u>	<u>\$ -</u>	<u>\$ 127,400</u>

Tax Anticipation Notes

In any fiscal year in anticipation of the collection of taxes for such year, whether levied or to be levied in such year, or in anticipation of other revenues for such year, the Borough may borrow money in the form of tax anticipation notes. The amount of tax anticipation notes of any fiscal year outstanding at any one time shall not exceed an amount certified as the gross borrowing power. Tax anticipation notes may be renewed from time to time, but all such notes and any renewals shall mature within 120 days after the beginning of the succeeding fiscal year.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 4 MUNICIPAL DEBT (Continued)

Short-Term Debt (Continued)

2012

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2011</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2012</u>
Tax Anticipation Notes	2.25%	2/15/2012	\$ 1,000,000		\$ 1,000,000	
Tax Anticipation Notes	1.25%	2/15/2012	1,500,000		1,500,000	
Tax Anticipation Notes	0.75%	12/5/2012	-	\$ 2,500,000	2,500,000	-
Total Tax Anticipation Notes			<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 5,000,000</u>	<u>\$ -</u>

2011

<u>Purpose</u>	<u>Rate (%)</u>	<u>Maturity Date</u>	<u>Balance, December 31, 2010</u>	<u>Renewed/ Issued</u>	<u>Retired/ Redeemed</u>	<u>Balance, December 31, 2011</u>
Tax Anticipation Notes	2.25%	2/15/2012		\$ 1,000,000		\$ 1,000,000
Tax Anticipation Notes	1.25%	2/15/2012	-	1,500,000	-	1,500,000
Total Tax Anticipation Notes			<u>\$ -</u>	<u>\$ 2,500,000</u>	<u>\$ -</u>	<u>\$ 2,500,000</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 5 FIXED ASSETS

General Fixed Assets

The following is a summary of changes in the general fixed assets account group for the years ended December 31, 2012 and 2011.

	Balance December 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2012</u>
<u>2012</u>				
Land	\$ 35,224,300			\$ 35,224,300
Buildings and Building Improvements	4,646,000			4,646,000
Machinery and Equipment	<u>4,994,561</u>	\$ 134,019	\$ 487,859	<u>4,640,721</u>
	<u>\$ 44,864,861</u>	<u>\$ 134,019</u>	<u>\$ 487,859</u>	<u>\$ 44,511,021</u>
	Balance December 31, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance, December 31, <u>2011</u>
<u>2011</u>				
Land	\$ 35,224,300			\$ 35,224,300
Buildings and Building Improvements	4,618,000	\$ 28,000		4,646,000
Machinery and Equipment	<u>4,755,276</u>	<u>330,335</u>	\$ 91,050	<u>4,994,561</u>
	<u>\$ 44,597,576</u>	<u>\$ 358,335</u>	<u>\$ 91,050</u>	<u>\$ 44,864,861</u>

NOTE 6 DUE TO/FROM OTHER FUNDS

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

	<u>2012</u>		<u>2011</u>	
	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>	Due from <u>Other Funds</u>	Due to <u>Other Funds</u>
Current Fund	\$ 7,965		\$ 104,522	\$ 132
Trust Funds:				
Animal Control Trust		\$ 7,117		1,866
Other Trust		119	131	
Open Space Trust		189,633	1	312,181
Community Development Trust				462
General Capital Fund	<u>189,633</u>	<u>729</u>	<u>312,643</u>	<u>102,656</u>
Total	<u>\$ 197,598</u>	<u>\$ 197,598</u>	<u>\$ 417,297</u>	<u>\$ 417,297</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 6 DUE TO/FROM OTHER FUNDS (Continued)

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

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

NOTE 7 FUND BALANCES APPROPRIATED

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

	Fund Balance December 31, <u>2012</u>	Utilized in Subsequent <u>Year's Budget</u>	Fund Balance December 31, <u>2011</u>	Utilized in Subsequent <u>Year's Budget</u>
Current Fund				
Cash Surplus	\$ 827,577	\$ 556,227	\$ 300,619	\$ 130,088
Non-Cash Surplus	<u>90,026</u>	<u>-</u>	<u>147,378</u>	<u>-</u>
	<u>\$ 917,603</u>	<u>\$ 556,227</u>	<u>\$ 447,997</u>	<u>\$ 130,088</u>

NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS

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

	Balance, December 31,	Subsequent Year Budget Appropriation	Balance to Succeeding Budgets
<u>2012</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 5,000	\$ 5,000	
Emergency Authorization	<u>75,000</u>	<u>75,000</u>	<u>-</u>
	<u>\$80,000</u>	<u>\$80,000</u>	<u>\$ -</u>
<u>2011</u>			
Current Fund			
Special Emergency Authorizations (40A:4-55)	\$ 10,000	\$ 5,000	\$5,000
Emergency Authorization	<u>127,400</u>	<u>127,400</u>	<u>-</u>
	<u>\$137,400</u>	<u>\$132,400</u>	<u>\$ -</u>

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 9 COMPENSATED ABSENCES

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

It is estimated that the current cost of such unpaid compensation and salary related payments would approximate \$2,911,757 and \$3,200,257 at December 31, 2012 and 2011, respectively. These amounts which is are considered material to the financial statements, are not reported either as an expenditure or liability.

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS

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

Police and Firemen's Retirement System (PFRS) – established in July 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full time county and municipal police or firemen and State firemen appointed after June 30, 1944. Membership is mandatory for such employees with vesting occurring after 10 years of membership.

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

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

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one (1) year of membership.

Other Pension Funds

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

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Other Pension Funds (Continued)

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

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

Basis of Accounting

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

Significant Legislation

P.L. 2011, c.78, effective June 28, 2011, made various changes to the manner in which PERS and PFRS operate and to the benefit provisions of those systems.

This new legislation's provisions impacting employee pension and health benefits include:

- For new members of PERS hired on or after June 28, 2011 (Tier 5 members), the years of creditable service needed for early retirement benefits increased from 25 to 30 years and the early retirement age increased from 55 to 65.
- The eligibility age to qualify for a service retirement in the PERS increased from age 62 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), decreased from 65 percent of final compensation to 60 percent of final compensation after 25 years of service and from 70 percent of final compensation to 65 percent of final compensation after 30 or more years of service.
- It increased the active member contribution rates as follows: PERS active member rates increase from 5.5 percent of annual compensation to 6.5 percent plus an additional 1 percent phased-in over 7 years; PFRS active member rates increase from 8.5 percent to 10 percent. For Fiscal Year 2012, the member contribution rates increase in October 2011. The phase-in of the additional incremental member contributions for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries was suspended. COLA increases may be reactivated at a future date as permitted by this law.
- It changed the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay method).

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Investment Valuation

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

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund, Common Pension Fund A, Common Pension Fund B, Common Pension Fund D and Common Pension Fund E. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290.

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS, is 67.5 percent with an unfunded actuarial accrued liability of \$41.7 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 60.8 percent and \$30.1 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 77.5 percent and \$11.6 billion, respectively.

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

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

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included: (a) a revised investment rate of return for all the retirement systems from 8.25 percent to 7.95 percent; and (b) revised projected salary increases which vary by fund (6.32% for PFRS and 4.52% for PERS)

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% for PERS, 10.0% for PFRS and 5.50% for DCRP of employees' annual compensation.

Annual Pension Cost (APC)

For PFRS and PERS, which are cost sharing multi-employer defined benefit pension plans, annual pension cost equals contributions made. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the years ended December 31, 2012, 2011 and 2010, the Borough was required to contribute for normal cost pension contributions, accrued liability pension contributions, early retirement incentive program contributions, deferred pension obligation contributions, and non-contributory life insurance premiums the following amounts which equaled the required contributions for each respective year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2012	\$ 790,682	\$ 359,507	\$ 629
2011	865,832	326,867	907
2010	855,745	253,441	540

During the year ended December 31, 2009 the Borough elected to contribute 50% of its normal and accrued liability components of the PFRS and PERS obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$466,671 and will be paid back with interest over 15 years beginning in the 2012 year. The Borough is permitted to payoff the deferred PFRS and PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 8.25%) at December 31, 2012 and 2011 is \$607,837 and \$580,684, respectively.

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS

Plan Description

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 11 POST-RETIREMENT MEDICAL 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 2012, the Borough contributed \$310,000 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>(310,000)</u>
Increase in Net OPEB Obligation	460,000
Net OPEB Obligation - Beginning of Year	<u>876,580</u>
Net OPEB Obligation - End of Year	<u>\$ 1,336,580</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 2012, 2011 and 2010 were as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligations</u>
2012	\$ 780,000	39.74%	\$ 1,336,580
2011	668,260	40.36%	876,580
2010	652,447	46.15%	398,560

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.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

In the December 31, 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 12 RISK MANAGEMENT

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

The Borough has established a medical claims trust fund to fund certain deductibles associated with the Borough's health, prescription and vision plans, a group insurance benefit plan for its employees and their eligible dependents. As of December 31, 2012 and 2011 the Borough has available in the Medical Claims Trust Fund \$57,848 and \$53,753, respectively for the payment of these claims.

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

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 12 RISK MANAGEMENT (Continued)

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

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

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

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

<u>Year Ended</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>
2012	\$ 32,000	\$ 9,567	\$ 26,706	\$ 18,914
2011	31,000	9,155	36,125	4,040
2010	30,053	9,775	39,828	10

NOTE 13 CONTINGENT LIABILITIES

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

The Borough consistently makes four quarterly payments each year to the Bergen Municipal Joint Insurance Fund based upon the due date of the assessments. As of December 31, 2011, the fourth quarter assessment in the amount of \$136,341 due in January of the subsequent year was not recorded as an expenditure or liability on the Borough’s financial statements. This assessment was funded in the subsequent year’s budget. In 2012, the fourth quarter assessment was funded in 2012.

Pending Tax Appeals - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2012 and 2011. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. Funding of any ultimate liability would be provided for in succeeding years’ budget or from fund balance.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 13 CONTINGENT LIABILITIES (Continued)

Federal and State Awards - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2012 and 2011, significant amounts of grant expenditure have not been audited by the various grantor agencies but the Borough believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Borough.

NOTE 14 FEDERAL ARBITRAGE REGULATIONS

The Borough is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At December 31, 2012 and 2011, the Borough has not estimated its estimated arbitrage earnings due to the IRS, if any.

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED

The Borough of New Milford Length of Service Award Program (the Plan) was created by a Borough ordinance adopted on December 5, 2000 pursuant to 457 (e)(11)(13) of the Internal Service Code of 1986, as amended, except for provisions added by reason of the Length of Service Award Program as enacted into federal law in 1997. The voters of the Borough of New Milford approved the adoption of the Plan at the general election held on November 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 \$1,350 and \$1,321 for 2012 and 2011, 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.

**BOROUGH OF NEW MILFORD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 15 LENGTH OF SERVICE AWARD PROGRAM (LOSAP)-UNAUDITED (Continued)

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

Vesting and Benefits

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

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

Reporting Requirements

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

NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

<u>Capital Project</u>	<u>Construction Commitment</u>	<u>Estimated Date of Completion</u>
<u>2012</u>		
Center Street and Reichert Road Section 2 Improvements	<u>\$235,435</u>	2013
<u>2011</u>		
Improvement to Main Street – Section 4	\$62,959	
Various Road Improvements	28,804	2012
Hardcastle Pond Phase II and Kennedy Field Lighting	20,081	2012
Sanitary Sewer Improvement Project	216,101	2012
2011 Riverside Cooperative Road Improvement Program	4,443	2012
Barrier Free Curb Ramps	<u>99,617</u>	2012
	<u>\$432,005</u>	

**BOROUGH OF NEW MILFORD
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2012 AND 2011**

NOTE 16 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

As of December 31, the Borough has other significant commitments as follows:

<u>2012</u>	<u>Purpose</u>	<u>Remaining Commitment</u>
	Acquisition of a Dump Truck	\$74,428

2011

There are none.

NOTE 17 OPERATING LEASES

The Borough leases police cars under noncancelable operating leases. Lease payments for the years ended December 31, 2012 and 2011 were \$47,449 and \$50,436, respectively. The future minimum lease payments for these leases are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2013	<u>\$ 31,107</u>

NOTE 18 SUBSEQUENT EVENTS

Bond Anticipation Notes

On April 15, 2013 the Borough issued bond anticipation notes in the amount of \$3,500,000 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to Janney Montgomery Scott LLC at an interest rate of 1.00%. These notes dated April 19, 2013 will mature on April 17, 2014.

Debt Authorized

On May 29, 2013 the Borough adopted a bond ordinance authorizing the issuance \$4,480,000 in bonds or bond anticipation notes to fund certain capital projects. As of the date of this report the Borough has not issued nor awarded the sale of said bonds or notes.

Special Emergency Authorization

On April 22, 2013, the Borough adopted an ordinance authorizing an emergency appropriation (N.J.S. 40A:4-53) appropriating \$299,705 for severance liabilities for the payment of accrued vacation and sick time. This authorization will be funded over 5 years.

Tax Anticipation Notes

The Borough issued \$2,500,000 of tax anticipation notes to temporarily finance the Borough's operating expenditures dated April 26, 2013. The note will mature on December 5, 2013.

CURRENT FUND

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

Balance, December 31, 2011		\$	4,693,359
Increased by Receipts:			
Receipts from General Capital Fund - Other	\$	100,916	
Tax Collector		47,646,392	
Revenue Accounts Receivable		2,444,588	
Tax Anticipation Notes Payable		2,500,000	
Non Budget Revenue		218,148	
Due from State of NJ - Veterans' and Senior Citizens' Deductions		139,987	
Budget Offsets		652,056	
Grants Receivable		43,741	
Reserve for Grants and Aid - Unappropriated		26,963	
Miscellaneous Reserves		8,214	
Petty Cash Returned		1,550	
Receipts Due from Animal Control Fund		1,866	
Receipts from Open Space Trust Fund		1,240	
Change Fund Returned		125	
		<u>53,785,786</u>	
			58,479,145
Decreased by Disbursements:			
2012 Budget Appropriations	16,992,364		
2011 Appropriation Reserves	699,526		
Local District School Tax	28,226,840		
Municipal Open Space Taxes	97,421		
County Taxes	4,224,610		
Refund of Tax Overpayments	291,945		
Miscellaneous Reserves	9,022		
Tax Anticipation Notes Payable	5,000,000		
Emergency Notes Payable	127,400		
Appropriated Grant Reserves	172,503		
Petty Cash	1,450		
Payments to Other Trust Fund	131		
		<u>55,843,212</u>	
Balance, December 31, 2012		\$	<u>2,635,933</u>

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

Increased by Receipts:		
Revenue Accounts Receivable	\$	95,424
Taxes Receivable		47,003,092
Tax Overpayments		237,261
Prepaid Taxes		<u>310,615</u>
		<u>47,646,392</u>
Decreased by:		
Payments to Treasurer	\$	<u>47,646,392</u>

EXHIBIT A-6

STATEMENT OF CHANGE FUNDS

<u>Office</u>	Balance, December 31, <u>2011</u>	Returned	Balance, December 31, <u>2012</u>
Tax Collector	\$ 300	\$ 100	\$ 200
Borough Clerk	25	-	25
Municipal Court	200	-	200
Records Department	25	-	25
Other	<u>25</u>	<u>25</u>	<u>-</u>
	<u>\$ 575</u>	<u>\$ 125</u>	<u>\$ 450</u>

EXHIBIT A-7

STATEMENT OF PETTY CASH FUNDS

Balance, December 31, 2011	\$	100
Increased by:		
Cash Disbursed to Custodians		<u>1,450</u>
		1,550
Decreased by:		
Returned to Finance Department		<u>1,550</u>
Balance, December 31, 2012	\$	<u>-</u>

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

Balance, December 31, 2011	\$	8,263
Increased By:		
Senior Citizens, Veterans and Disabled Persons		
Tax Deductions:		
Per Tax Billings	\$ 140,750	
Allowed by Tax Collector	<u>1,250</u>	
		<u>142,000</u>
		150,263
Decreased By:		
Received	139,987	
Deductions Disallowed by Tax Collector	<u>250</u>	
		<u>140,237</u>
Balance, December 31, 2012	\$	<u><u>10,026</u></u>

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

Year	Balance, December 31, 2011	2012 Levy	Senior	Senior	Collected In 2011	2012	Senior	Transferred	Cancelled	Balance, December 31, 2012
			Citizens' and Veterans' Deductions Disallowed	Citizens' and Veterans' Deductions Allowed			to Tax Title Liens			
2010	\$ 9,000				\$ 1,285				\$ 2,941	\$ 7,715
2011	479,794	-	-	-	462,852	-	-	-	-	14,001
2012	488,794	-	-	-	464,137	-	-	-	2,941	21,716
		\$ 47,751,598	\$ 250	\$ 262,965	46,538,955	\$ 142,000	\$ 1,432	285,137	288,078	521,359
	\$ 488,794	\$ 47,751,598	\$ 250	\$ 262,965	\$ 47,003,092	\$ 142,000	\$ 1,432	\$ 288,078	\$ 543,075	

Analysis of 2012 Property Tax Levy

Tax Yield	
General Purpose Tax	\$ 47,703,974
Added Taxes (R.S. 54:4-63.1 et seq.)	<u>47,624</u>
	\$ 47,751,598
Tax Levy	
Local District School Tax (Abstract)	\$ 28,226,840
Municipal Open Space Tax	97,387
County Tax (Abstract)	\$ 4,168,740
County Tax for Added Taxes (R.S. 54.4-63 et seq.)	4,241
County Open Space Tax	<u>48,114</u>
	4,221,095
Local Tax for Municipal Purposes (Abstract)	14,422,477
Minimum Library Tax	645,907
Add Additional Tax Levy	<u>137,892</u>
	<u>15,206,276</u>
	\$ 47,751,598

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

Balance, December 31, 2011	\$ 10,353
Increased By:	
Transferred from Taxes Receivable	<u>1,432</u>
Balance, December 31, 2012	<u>\$ 11,785</u>

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

	Balance, December 31, <u>2011</u>	Accrued in <u>2012</u>	<u>Collected in 2012</u>		Balance, December 31, <u>2012</u>
			<u>Treasurer</u>	<u>Collector</u>	
Borough Clerk					
Alcoholic Beverage					
Licenses		\$ 11,365	\$ 11,365		
Licenses - Other		32,780	31,078		\$ 1,702
Construction Code Official					
Fees and Permits		142,184	142,184		
Fees and Permits - Other					
Tax Office		14		\$ 14	
Search Companies		363	363		
Gun Permits		286	286		
Photostats		3,161	3,161		
Fingerprints		160	160		
Duplicate Tax Bills		22		22	
Municipal Court					
Fines and Costs	\$ 14,846	117,354	122,458		9,742
Interest and Costs on Taxes		95,388		95,388	
Interest on Investments and Deposits		3,257	3,257		
Fire Safety Act Fees		9,402	9,402		
Recreation Fees		52,138	42,640		9,498
Energy Receipts Tax		1,569,258	1,569,258		
Consolidated Municipal Property Tax					
Relief Act		45,820	45,820		
Life Hazard Use Fees		8,806	8,806		
Sewer Fees		5,027	5,027		
FEMA Reimbursement		74,615	74,615		
Recycling Revenue		101,320	101,320		
Cell Tower Rent - Gaelic Communications		64,280	64,280		
Cable TV Franchise Fee	-	210,349	210,349	-	-
	<u>\$ 14,846</u>	<u>\$ 2,547,349</u>	<u>\$ 2,445,829</u>	<u>\$ 95,424</u>	<u>\$ 20,942</u>
			\$ 2,444,588		
Cash Receipts			1,241		
Due from Other Trust Fund			<u>\$ 2,445,829</u>		

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

Balance, December 31, 2011		\$ 127,400
Increased By:		
Authorized in 2012 Budget		75,000
		75,000
Decreased By:		
Raised in 2012 Budget		127,400
Balance, December 31, 2012		\$ 75,000

EXHIBIT A-13

STATEMENT OF SPECIAL EMERGENCY AUTHORIZATIONS

<u>Date Authorized</u>	<u>Purpose</u>	<u>Net Amount Authorized</u>	<u>1/5 of Net Amount Authorized</u>	<u>Balance, December 31, 2011</u>	<u>Reduced by 2012 Budget</u>	<u>Balance, December 31, 2012</u>
9/8/2008	Master Plan	\$ 25,000	\$ 5,000	\$ 10,000	\$ 5,000	\$ 5,000
				\$ 10,000	\$ 5,000	\$ 5,000

**BOROUGH OF NEW MILFORD
STATEMENT OF PREPAID TAXES**

Balance, December 31, 2011	\$	262,965
Increased by:		
Collection of 2013 Taxes		310,615
		573,580
Decreased by:		
Applied to 2012 Taxes Receivable		262,965
Balance, December 31, 2012	\$	310,615

STATEMENT OF RESERVE FOR FEMA

Balance, December 31, 2011	\$	27,258
Decreased by:		
Anticipated as Current Year Revenue		27,258
Balance, December 31, 2012	\$	-

**BOROUGH OF NEW MILFORD
STATEMENT OF 2011 APPROPRIATION RESERVES**

	Balance, December 31, <u>2011</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Salaries and Wages				
General Administration	\$ 3,365	\$ 3,365		\$ 3,365
Mayor and Council	292	292		292
Municipal Clerk	2,347	2,347		2,347
Collection of Taxes	3,535	3,535		3,535
Assessment of Taxes	751	751	\$ 190	561
Planning Board	2,755	2,755		2,755
Police	155,644	155,644		155,644
Fire	850	850		850
Fire Official	127	127		127
Road Repairs and Maintenance	71,877	71,877	71,877	
Recycling	359	359		359
Buildings and Grounds	971	971		971
Board of Health	2,104	2,104		2,104
Recreation Services and Programs	2,360	2,360		2,360
Environmental Committee	120	120	70	50
Senior Citizens Program	1,754	1,754		1,754
Municipal Court	1,408	1,802	347	1,455
Construction Code Official	7,341	7,341		7,341
Rent Leveling Board	50	50		50
Shade Tree				-
Other Expenses				
Mayor and Council	83	83		83
Municipal Clerk	8,011	13,715	10,664	3,051
Financial Administration	3,626	3,626	3,519	107
Assessment of Taxes	773	3,438	3,438	-
Collection of Taxes	5,509	7,247	2,844	4,403
Legal Services and Costs	21,610	22,288	6,789	15,499
Engineering Services and Costs	4,676	7,258	7,253	5
Planning Board	2,732	2,809	3,148	(339)
Zoning Board of Adjustments	6,253	6,331	449	5,882
Liability	12,426	12,426	1,679	10,747
Worker's Compensation - BJIF	1	1		1
Employee Group Insurance	3,815	3,815		3,815
Health Benefit Waiver	3,595	3,595		3,595
Police Department	40,383	56,881	15,913	40,968
Emergency Management Services	3,665	3,664		3,664
Fire	5,047	20,835	17,323	3,512
First Aid Organization	2,738	2,738	2,200	538
Holy Name Hospital	590			-
Fire Official		1,245	436	809
Road Repairs and Maintenance	75,451	121,676	121,676	-
Garbage and Trash Removal	78,409	164,807	79,381	85,426
Recycling	43,859	160,281	136,937	23,344
Buildings and Grounds	2,846	7,796	4,692	3,104
Vehicle Maintenance	2,117	2,753	2,595	158
Board of Health	399	399	350	49
New Milford Blood Bank	50	50		50
Environmental Committee	60	120		120
Recreation Services and Programs	16,614	32,611	32,531	80
Historical Commission	86	800	714	86
Shade Tree Committee	1,855	1,855	60	1,795

BOROUGH OF NEW MILFORD
STATEMENT OF 2011 APPROPRIATION RESERVES

	Balance, December 31, <u>2011</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
Other Expenses (Continued)				
Senior Citizen Program	\$ 11,119	\$ 12,308	\$ 1,314	\$ 10,994
Construction Code Official	1,285	1,285	175	1,110
Electricity	21,032	40,209	18,520	21,689
Street Lighting	32,799	33,912	23,818	10,094
Telephone	10,527	13,959	4,100	9,859
Water	5,789	50,449	50,069	380
Gas and Oil	1,873	14,587	3,680	10,907
Fire Hydrants	43,938			
Celebration of Events	268	298	30	268
Municipal Court		758	758	-
Social Security System	5,143	5,143		5,143
Defined Contribution Retirement Program	43	43		43
Maintenance of Free Public Library	63	7,963	7,900	63
Length of Service Award Program	75,000	75,000	62,087	12,913
Health Benefit Fund	67,634	67,634		67,634
Clean Communities Program	4,546	7,976	7,976	-
Body Armor Replacement Program	363	3,142	3,142	-
Recycling Tonnage Grant	38,643	38,643	38,643	-
	<u>\$ 925,354</u>	<u>\$ 1,296,856</u>	<u>\$ 749,287</u>	<u>\$ 547,569</u>
Appropriation Reserves	\$ 925,354			
Encumbrances Payable		<u>371,502</u>		
		<u>\$ 1,296,856</u>		
Cash Disbursements			\$ 699,526	
Transfer to Appropriated Reserves			<u>49,761</u>	
			<u>\$ 749,287</u>	

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

	Balance, December 31, 2011	Accrued - Budget	Accrued - Ch. 159	Transferred Unappropriated Grants	Cash Receipts	Balance, December 31, 2012
OEM-Hazard Mitigation			\$ 1,612,301			\$ 1,612,301
HAVA-Polling Places			2,995			2,995
Drive Sober/Get Pulled Over			4,400			4,400
Drunk Driving Enforcement Fund		\$ 1,740		\$ 1,740		
Recycling Tonnage Grant		34,483		34,483		
Clean Communities	\$ 1,715	23,523		-	\$ 23,061	2,177
Body Armor			1,853			1,853
Alcohol Education and Rehabilitation Fund		162		162		
Title III - Senior Citizens	-	20,680	20,680	20,680	20,680	-
	<u>\$ 1,715</u>	<u>\$ 80,588</u>	<u>\$ 1,642,229</u>	<u>\$ 57,065</u>	<u>\$ 43,741</u>	<u>\$ 1,623,726</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF MISCELLANEOUS RESERVES**

	Balance, December 31, 2011	Cash Receipts	Cash Disbursements	Balance, December 31, 2012
Marriage License Fees Payable	\$ 325	\$ 2,050	\$ 2,025	\$ 350
DCA Fees Payable	2,046	6,164	6,997	1,213
Burial Permit Fees Payable	1,453			1,453
Reserve for Master Plan	13,894	-	-	13,894
	<u>\$ 17,718</u>	<u>\$ 8,214</u>	<u>\$ 9,022</u>	<u>\$ 16,910</u>

EXHIBIT A-19

STATEMENT OF TAX ANTICIPATION NOTES PAYABLE

	Date of Issue	Date of Maturity	Interest Rate	Balance Dec. 31, 2011	Increased by:	Decreased by:	Balance Dec. 31, 2012
Tax Anticipation Note	4/8/2011	2/15/2012	2.25%	\$ 1,000,000		\$ 1,000,000	
	7/25/2011	2/15/2012	1.25%	1,500,000		1,500,000	
	4/26/2012	12/5/2012	.75%	-	\$ 2,500,000	2,500,000	-
				<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>	<u>\$ 5,000,000</u>	<u>\$ -</u>

EXHIBIT A-20

STATEMENT OF ENCUMBRANCES PAYABLE

Balance, December 31, 2011	\$ 371,502
Increased by:	
Charges to 2012 Budget Appropriations	\$ 535,061
Charges to Grant Appropriated Reserves	17,266
	<u>552,327</u>
	923,829
Decreased by:	
Transferred to Appropriation Reserves	<u>371,502</u>
Balance, December 31, 2012	<u>\$ 552,327</u>

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

Balance, December 31, 2011		\$	5,035
Increased by:			
Cash Receipts	\$	237,261	
Prior Year Appeals Granted		<u>60,365</u>	
			<u>297,626</u>
			302,661
Decreased by:			
Cash Disbursements			<u>291,945</u>
Balance, December 31, 2012		\$	<u><u>10,716</u></u>

EXHIBIT A-22

STATEMENT OF LOCAL DISTRICT SCHOOL TAX

Increased by:			
Levy - Calendar Year 2012		\$	28,226,840
Decreased by:			
Cash Disbursements		\$	<u>28,226,840</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF MUNICIPAL OPEN SPACE TAXES**

Balance, December 31, 2011	\$	131
Increased by:		
Levy - Calendar Year 2012	\$	97,290
Added Taxes		<u>97</u>
		<u>97,387</u>
		97,518
Decreased by:		
Cash Disbursements		<u>97,421</u>
Balance, December 31, 2012	\$	<u><u>97</u></u>

EXHIBIT A-24

STATEMENT OF COUNTY TAXES PAYABLE

Balance, December 31, 2011	\$	7,517
Increased by:		
2012 Tax Levy	\$	4,168,740
Due County for Added and Omitted Taxes		4,241
County Open Space Tax		<u>48,114</u>
		<u>4,221,095</u>
		4,228,612
Decreased by:		
Cash Disbursements		<u>4,224,610</u>
Balance, December 31, 2012	\$	<u><u>4,002</u></u>

EXHIBIT A-25

STATEMENT OF EMERGENCY NOTES PAYABLE

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance Dec. 31, 2011</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2012</u>
Emergency Note	12/21/2011	5/21/2012	0.60%	<u>\$ 127,400</u>	<u>\$ 127,400</u>	<u>\$ -</u>

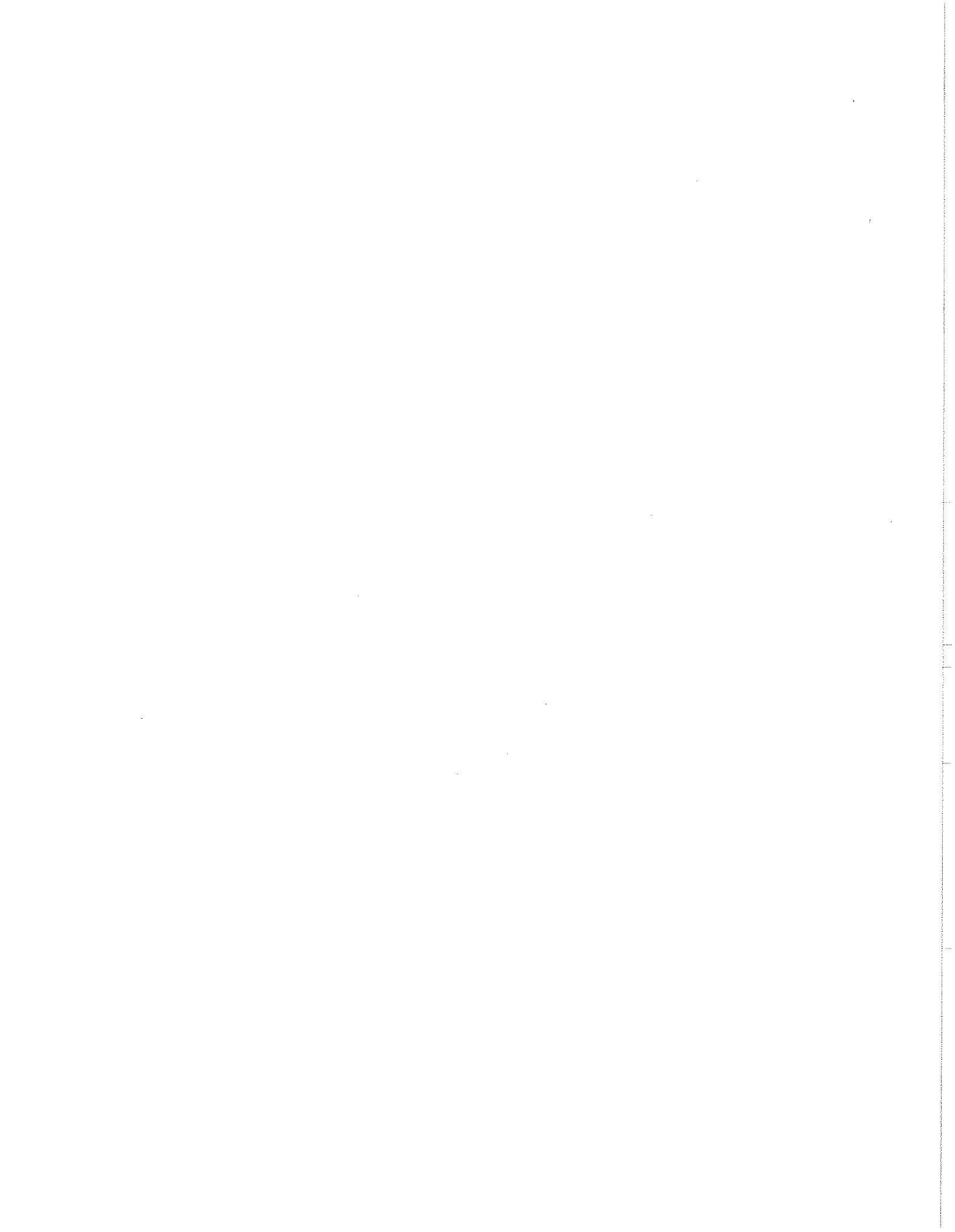
**BOROUGH OF NEW MILFORD
STATEMENT OF GRANT UNAPPROPRIATED RESERVES**

	Balance, December 31, <u>2011</u>	<u>Received</u>	<u>Realized</u>	Balance, December 31, <u>2012</u>
Bergen Co. Environmental Energy		\$ 400		\$ 400
Title III - Senior Citizens	\$ 20,680	20,445	\$ 20,680	20,445
DDEF	1,740	2,255	1,740	2,255
Alcohol Ed & Rehab	162	648	162	648
Recycling Tonnage Grant	34,483		34,483	-
Body Armor	-	3,215	-	3,215
	<u>\$ 57,065</u>	<u>\$ 26,963</u>	<u>\$ 57,065</u>	<u>\$ 26,963</u>

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

	Balance, December 31, <u>2011</u>	<u>Increased by:</u>		Decreased by: <u>Paid/Charged</u>	Balance, December 31, <u>2012</u>
		<u>Budget Appropriation</u>	<u>Transferred from Reserves</u>		
Drunk Driving Enforcement Fund	\$ 3,631	\$ 1,740		\$ 2,978	\$ 2,393
Clean Communities	10,340	23,523	\$ 7,976	21,743	20,096
Drive Sober/Get Pulled Over		4,400		1,200	3,200
Body Armor Fund	3,831		3,142	2,779	4,194
Bullet Proof Vest Partnership		1,853		1,853	-
Municipal Stormwater Management'	9,022			4,050	4,972
Recycling Tonnage Grant	59,702	34,483	38,643	92,745	40,083
Alcohol Education and Rehabilitation	1,541	162			1,703
HAVA Grant-Polling Places		2,995		2,995	-
OEM Hazard Mitigation Program		1,612,301		14,795	1,597,506
Title III - Senior Citizens	3,271	41,360	-	44,631	-
	<u>\$ 91,338</u>	<u>\$ 1,722,817</u>	<u>\$ 49,761</u>	<u>\$ 189,769</u>	<u>\$ 1,674,147</u>
				Cash Disbursements	\$ 172,503
				Encumbrances Payable	17,266
					<u>\$ 189,769</u>

TRUST FUND



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

	<u>Animal Control Trust Fund</u>	<u>Other Trust Fund</u>	<u>Unemployment Compensation Insurance Trust Fund</u>	<u>Recreation Trust Fund</u>
Balance, December 31, 2011	\$ 16,901	\$ 529,943	\$ 8,019	\$ 1,180
Increased by Receipts:				
Budget Appropriations			\$ 32,000	
Miscellaneous Reserves		\$ 10,449,031		
Due to LOSAP Trust Fund		14,531		
License Fees	\$ 7,030			
Payment from Current Fund	1,371	131		
Due to State of New Jersey		119	13	
Interest				\$ 58,474
Recreation Trust Fees			9,567	
Employee Contributions		-	41,580	-
	<u>8,401</u>	<u>10,463,812</u>	<u>41,580</u>	<u>58,474</u>
	25,302	10,993,755	49,599	59,654
Decreased by Disbursements:				
Miscellaneous Reserves		10,378,410		
Due to LOSAP Trust Fund		92,335		
Payment to Current Fund	1,866			
Due to State of New Jersey	1,381		29,118	
Animal Control Expenditures	1,782			
Recreation Trust Expenditures	-	-		59,161
	<u>5,029</u>	<u>10,470,745</u>	<u>29,118</u>	<u>59,161</u>
Balance, December 31, 2012	\$ <u>20,273</u>	\$ <u>523,010</u>	\$ <u>20,481</u>	\$ <u>493</u>

BOROUGH OF NEW MILFORD
STATEMENT OF TRUST CASH - TREASURER

	Medical Claims Trust Fund	Community Development Trust Fund	Open Space Trust Fund
Balance, December 31, 2011	\$ 53,753	\$ 470	\$ 508,179
Increased by Receipts:			
Interest on Investments and Deposits			451
Grant Receipts	\$ 119,538		124,521
Current Fund reimbursement deposited into Open Space			1,241
Medical Claims Trust Deposits	227,975		
Payments from Current Fund			131
Municipal Open Space Tax	<u>227,975</u>	<u>119,538</u>	<u>97,290</u>
	281,728	120,008	731,813
Decreased by Disbursements:			
Payments to General Capital Fund		462	312,181
Payments to Current Fund			1,241
Payments to General Capital Fund Grant Receivable		119,538	124,520
General Capital Expenditures paid by Open Space			20,367
Medical Claims Trust Expenditures	223,880		
Open Space Trust Expenditures			9,237
	<u>223,880</u>	<u>120,000</u>	<u>467,546</u>
Balance, December 31, 2012	<u>\$ 57,848</u>	<u>\$ 8</u>	<u>\$ 264,267</u>

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

Balance, December 31, 2011		\$ 15,009
Increased by:		
License Fees		<u>7,030</u>
		22,039
Decreased by:		
Cash Disbursements	\$ 1,782	
Statutory Excess	<u>7,117</u>	
		<u>8,899</u>
Balance, December 31, 2012		<u>\$ 13,140</u>

EXHIBIT B-5

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

Balance, December 31, 2011		\$ 26
Increased by:		
Cash Receipts		<u>1,371</u>
		1,397
Decreased by:		
Disbursements		<u>1,381</u>
Balance, December 31, 2012		<u>\$ 16</u>

EXHIBIT B-6

STATEMENT OF DUE TO/FROM CURRENT FUND - OTHER TRUST FUND

Balance, December 31, 2011 (Due from)		\$ 131
Increased by:		
Interest due to Current Fund		<u>119</u>
		250
Decreased by:		
Cash Receipts from Current Fund		<u>131</u>
Balance, December 31, 2012 (Due to)		<u>\$ 119</u>

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

Balance, December 31, 2011	\$	1
Increased by:		
Payments to Current Fund		1,240
		1,241
Decreased by:		
Current Fund Receipts Deposited into Open Space Trust Fund		1,241
Balance, December 31, 2012	\$	-

EXHIBIT B-8

STATEMENT OF OPEN SPACE TAXES RECEIVABLE - OPEN SPACE TRUST FUND

Balance, December 31, 2011	\$	131
Increased by:		
Added Assessments - Open Space Tax		97
		228
Decreased by:		
Cash Receipts		131
Balance, December 31, 2012	\$	97

**BOROUGH OF NEW MILFORD
STATEMENT OF MISCELLANEOUS RESERVES**

<u>Account</u>	Balance, December 31, 2011	<u>Increased</u>	Cash Disbursements	Balance, December 31, 2012
Escrow Deposits	\$ 92,299	\$ 101,929	\$ 88,988	\$ 105,240
Tax Title Liens and Premiums	123,528	130,152	134,452	119,228
Landlord Emergency Repairs	54,196	97	12	54,281
Parking Offenses Adjudication Act	22,599	686		23,285
D.A.R.E Trust	7,316	20,582	17,982	9,916
Shade Tree	7,748	2,500	10,248	-
Junior Police Academy	7,171	7,669	7,430	7,410
Building Department	16,166	16		16,182
Historic Preservation	1,506	161	1,667	-
Uniform Fire Code	1,529	2		1,531
Police DDEF	80		80	-
Beautification Donation		170		170
Insurance Proceeds		11,488	6,751	4,737
Senior Center Donation		500		500
Public Defender	3,519	3,760		7,279
Snow Removal		141,338	61,150	80,188
Accrued Payroll	112,013	10,024,054	10,046,356	89,711
Flexible Spending	2,100	1,927	1,240	2,787
JIF Safety	500	2,000	2,054	446
	<u>\$ 452,270</u>	<u>\$ 10,449,031</u>	<u>\$ 10,378,410</u>	<u>\$ 522,891</u>

STATEMENT OF RESERVE FOR EXPENDITURES - RECREATION TRUST FUND

Balance, December 31, 2011	\$ 1,180
Increased by:	
Cash Receipts	<u>58,474</u>
	59,654
Decreased by:	
Payments	<u>59,161</u>
Balance, December 31, 2012	<u>\$ 493</u>

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

Balance, December 31, 2011	\$ 53,753
Increased by:	
Cash Receipts	<u>227,975</u>
	281,728
Decreased by:	
Cash Disbursements	<u>223,880</u>
Balance, December 31, 2012	<u>\$ 57,848</u>

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

Balance, December 31, 2011	<u>\$ 1</u>
Balance, December 31, 2012	<u>\$ 1</u>

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

Balance, December 31, 2011	<u>\$ 7</u>
Balance, December 31, 2012	<u>\$ 7</u>

BOROUGH OF NEW MILFORD
STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE

Balance, December 31, 2011		\$ 4,040
Increased by:		
Borough Contributions	\$ 32,000	
Employee Contributions	9,567	
Interest Earned	<u>13</u>	
		<u>41,580</u>
		45,620
Decreased by:		
Due to State of New Jersey		<u>26,706</u>
Balance, December 31, 2012		<u>\$ 18,914</u>

EXHIBIT B-15

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

Balance, December 31, 2011		\$ 3,979
Increased by:		
Claims		<u>26,706</u>
		30,685
Decreased By:		
Payments		<u>29,118</u>
Balance, December 31, 2012		<u>\$ 1,567</u>

EXHIBIT B-16

STATEMENT OF AMOUNT DUE TO GENERAL CAPITAL FUND
COMMUNITY DEVELOPMENT BLOCK GRANT TRUST FUND

Balance, December 31, 2011		\$ 462
Increased by:		
General Capital Grant Receipts deposited into Community Development		<u>119,538</u>
		120,000
Decreased By:		
Grant Receipts paid to General Capital Fund	\$ 119,538	
Cash Disbursements	<u>462</u>	
		<u>120,000</u>
Balance, December 31, 2012		<u>\$ -</u>

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

Balance , December 31, 2011		\$ 196,130
Increased by:		
Cash Receipts - Open Space Tax	\$ 97,290	
Cash Receipts - Interest	451	
Amount Due from Current Fund - Added Taxes Open Space	<u>97</u>	
		<u>97,838</u>
		293,968
Decreased by:		
Cash Disbursements	9,237	
Improvement Authorizations Funded by Open Space Trust Fund	<u>210,000</u>	
		<u>219,237</u>
Balance , December 31, 2012		<u>\$ 74,731</u>

EXHIBIT B-18

**STATEMENT OF AMOUNT DUE TO GENERAL CAPITAL FUND
OPEN SPACE TRUST FUND**

Balance, December 31, 2011		\$ 312,181
Increased by:		
General Capital Grant Receipts deposited into Open Space Trust Fund	124,521	
Improvement Authorizations Funded by Open Space Trust Fund	<u>210,000</u>	
		<u>334,521</u>
		646,702
Decreased By:		
General Capital Expenditures Paid by Open Space Trust Fund	\$ 20,367	
Grant Receipts paid to General Capital Fund	124,521	
Cash Disbursements	<u>312,181</u>	
		<u>457,069</u>
Balance, December 31, 2012		<u>\$ 189,633</u>

EXHIBIT B-19

**STATEMENT OF AMOUNT DUE TO CURRENT FUND
ANIMAL CONTROL TRUST FUND**

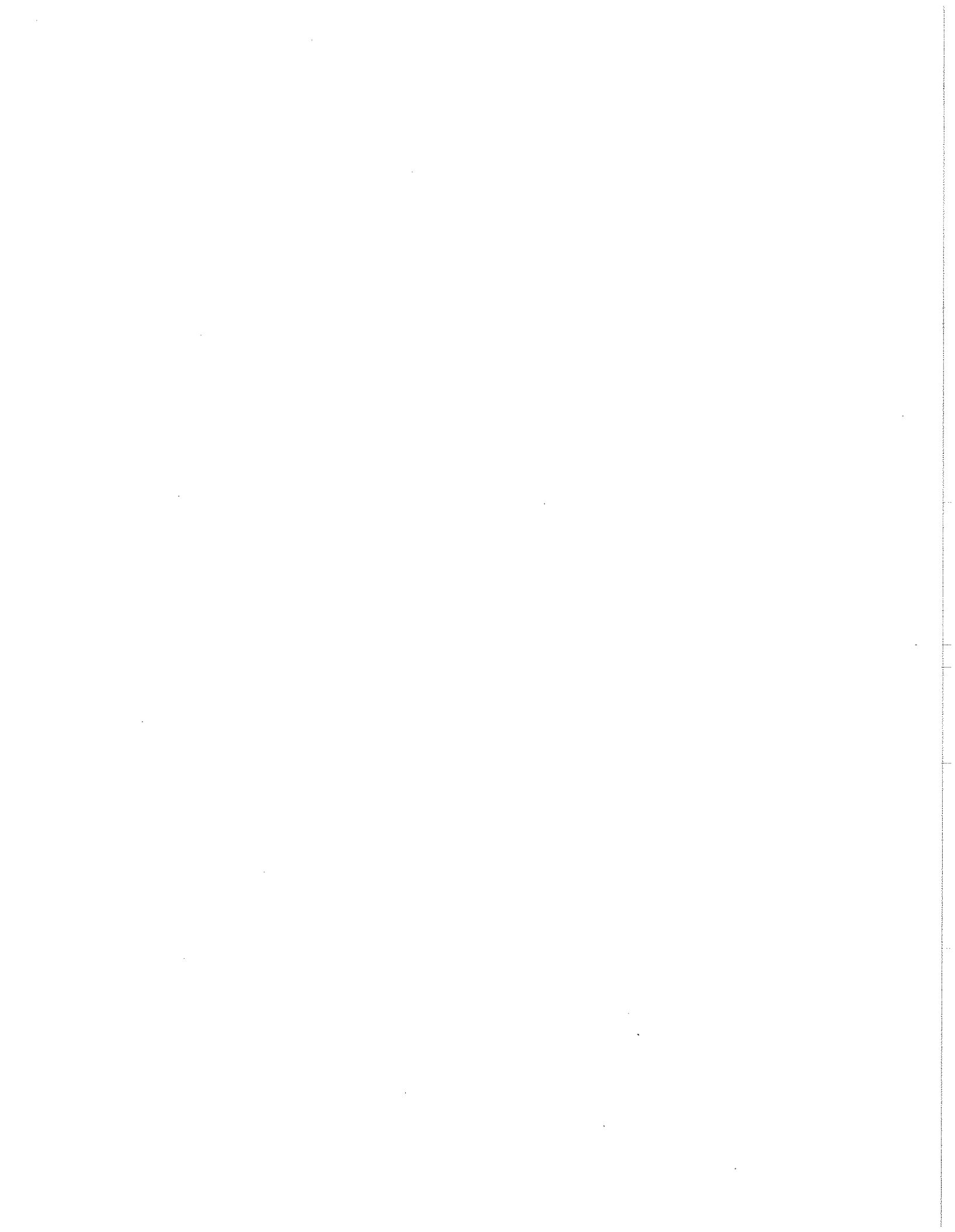
Balance, December 31, 2011		\$ 1,866
Increased by:		
Statutory Excess		<u>7,117</u>
		8,983
Decreased by:		
Payment to Current Fund		<u>1,866</u>
Balance, December 31, 2012		<u>\$ 7,117</u>

**BOROUGH OF NEW MILFORD
STATEMENT OF DUE TO LOSAP TRUST FUND
OTHER TRUST FUND**

Balance, December 31, 2011	\$ 77,804
Increased by: Cash Receipts	<u>14,531</u>
	92,335
Decreased by: Cash Disbursements	<u>92,335</u>
Balance, December 31, 2012	<u>\$ -</u>

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GENERAL CAPITAL FUND



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

Balance, December 31, 2011		\$	436,558
Increased by Receipts:			
Interest on Investments and Deposits	\$	729	
Payments from Community Development Trust Fund		462	
Payments from Open Space Trust Fund		312,181	
Premium on Note Sale		6,076	
Grants and Contributions Receivable		492,225	
EIT Loans Receivable		434,276	
Bond Anticipation Notes		<u>881,000</u>	
			<u>2,126,949</u>
			2,563,507
Decreased by Disbursements:			
Improvement Authorizations		805,921	
Payments to Current Fund		100,916	
Contracts Payable		487,332	
Bond Anticipation Notes Paid with Capital Cash		<u>154,718</u>	
			<u>1,548,887</u>
Balance, December 31, 2012		\$	<u>1,014,620</u>

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

	Balance, December 31, <u>2012</u>
Fund Balance	\$ 6,076
Contracts Payable	424,038
Due to Current Fund	729
Due from Open Space Trust Fund	(189,633)
EIT Loans Receivable	(407,508)
Grants and Contributions Receivable	(258,979)
Capital Improvement Fund	6,250
Reserve for Legislative Grant	30,000
Excess Proceeds - Ord. 10-05	350,000
Excess Proceeds - Ord. 10-06	14,902
Excess Proceeds- Ord. 11-08	6
Excess Proceeds- Ord. 11-09	104,636

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)
00-05/04-19	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 Improvements	(475)
04-02	Improvements to River Road, Section 3	(7,680)
04-10	Various 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	Improvements to the Boulevard, Section 4	14,030
08-08	Various Improvements	2,386
09-05	Various Public Improvements	21,671
09-07	Sanitary Sewer Rehabilitation	(24,660)
09-13	Various Public Improvements	172,750
10-05	Various Public Improvements	2,230
10-06	Various Public Improvements	88,083
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	99,802
10-14	Sanitary Sewer Pipe Lining & Replacement	374,131
11-09	Various Public Improvements	49,020
12-07	Various Public Improvements	211,695
12-08	Installation of Lighting at Kennedy Field	309,383
12-12	Improvement at Center Street	(165,600)
12-16	Improvement of Playgrounds at Kennedy Field & Prospect Park	90,250
		<u>\$ 1,014,620</u>

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

Balance, December 31, 2011		\$	102,656
Increased by:			
Interest on Investments and Deposits	\$	729	
Anticipated Current Fund Revenue			
Reserve for Payment of Debt		8,749	
Fund Balance		<u>29,511</u>	
			<u>38,989</u>
			141,645
Decreased by:			
Budget Appropriation-Capital Improvement Fund		40,000	
Cash Disbursed to Current Fund		<u>100,916</u>	
			<u>140,916</u>
Balance, December 31, 2012		\$	<u><u>729</u></u>

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

Balance, December 31, 2011		\$ 6,465,360
Decreased by:		
Bonds Paid By Budget Appropriations	\$ 700,000	
Loans Paid By Budget Appropriations	<u>51,335</u>	
		<u>751,335</u>
Balance, December 31, 2012		<u>\$ 5,714,025</u>

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

Ord. No.	Improvement Description	Balance, December 31, 2011	2012 Authorizations	Notes Paid by Budget	Grant Receipts	Balance, December 31, 2012	Bond Anticipation Notes	Analysis of Balance, December 31, 2012		Unexpended Improvement Authorizations
								Excess Proceeds	Expenditures	
89-11/91-24	Resurfacing of Reichelt Road	\$ 727				\$ 727		\$	727	
94-05/96-11	Various Improvements	860				860			860	
00-05/04-19	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 Improvements	475				475			475	
04-02	Improvements to River Road, Section 3	7,680				7,680			7,680	
04-10	Various 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	Improvements to River Road, Section 5	12,776				12,776			12,776	
08-08	Various Improvements	435				435				435
09-04	Improvements to the Boulevard, Section 5	43,028		\$ 11,095		31,933	\$ 31,933			
09-05	Various Public Improvements	292,300		14,135		278,165	278,165			
09-07	Sanitary Sewer Rehabilitation	28,500		1,627		26,873	26,873			
09-13	Various Public Improvements	504,700				504,700	480,040		24,660	
10-05	Various Public Improvements	227,414			\$ 127,414	100,000	450,000	\$ (350,000)		
10-06	Various Public Improvements	79,035			14,902	64,133	79,035	(14,902)		
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems									
10-13	Various Public Improvements	595,000				595,000	595,000			
10-14	Sanitary Sewer Pipe Lining & Replacement	25,700				25,700	25,700			
11-08	River Road Streetscape Improvement Project, Phase IV	234,090				234,090				234,090
11-09	Various Public Improvements	200,000				79,248	79,254	(6)		
12-07	Various Public Improvements	727,000	\$ 881,000		104,636	622,364	727,000	(104,636)		
12-12	Improvement of Center Street		183,000			881,000	881,000			
						183,000			165,600	17,400
		\$ 3,273,374	\$ 1,064,000	\$ 26,857	\$ 367,704	\$ 3,942,813	\$ 3,654,000	\$ (469,544)	\$ 506,314	\$ 252,043

Improvement Authorizations- Unfunded	\$	897,294
Less: Unexpended proceeds of BAN's		
Ord. 09-05	\$	21,671
Ord. 09-13		172,750
Ord. 10-05		2,230
Ord. 10-06		88,083
Ord. 10-07		99,802
Ord. 11-09		49,020
Ord. 12-07		211,695
		<u>645,251</u>
		<u>252,043</u>

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

Balance, December 31, 2011	\$ 10,700
Increased by:	
2012 Budget Appropriation	<u>40,000</u>
	50,700
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>44,450</u>
Balance, December 31, 2012	<u>\$ 6,250</u>

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

Balance, December 31, 2011	\$ 487,332
Increased by:	
Contracts Awarded	<u>424,038</u>
	911,370
Decreased by:	
Cash Disbursements	<u>487,332</u>
Balance, December 31, 2012	<u><u>\$ 424,038</u></u>

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

Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance, December 31, 2011	Decreased	Balance, December 31, 2012
		Date	Amount				
General Bonds of 2005	3,085,000	2/1/2013	\$ 415,000	3.50	\$ 1,685,000	\$ 400,000	\$ 1,285,000
		2/1/2014	425,000	3.50			
		2/1/2015	445,000	3.50			
General Improvement Bonds of 2009	4,160,000	5/1/2013	305,000	2.00	3,610,000	300,000	3,310,000
		5/1/2014	320,000	2.25			
		5/1/2015	345,000	2.75			
		5/1/2016	235,000	3.00			
		5/1/2017	370,000	3.00			
		5/1/2018	395,000	3.25			
		5/1/2019	420,000	3.25			
		5/1/2020	445,000	3.50			
		5/1/2021	475,000	3.50			
					\$ 5,295,000	\$ 700,000	\$ 4,595,000

Paid by Current Fund Budget \$ 700,000

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

Balance, December 31, 2011	<u>\$ 30,000</u>
Balance, December 31, 2012	<u><u>\$ 30,000</u></u>

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

	<u>Total</u>	<u>Community Development Block Grant</u>	<u>Bergen County Open Space Trust Fund</u>	<u>Department of Transportation</u>	<u>Twp of Teaneck</u>
Balance, December 31, 2011	\$ 489,488	\$ 15,447	\$ 173,500	\$ 300,541	
Increased by:					
Grant Award					
Ord. 11-09 (ADA Ramps) (PY Adj)	110,000	110,000			
Ord. 12-07 (Resurfacing of Reichelt Rd)	83,000	83,000			
Ord. 12-07 (Handicapped Access for the Senior Center)	127,000	127,000			
Ord 12-07 (Twp of Teaneck Reimburse)	32,853				\$ 32,853
Ord. 12-08 (Installation of Lighting at Kennedy Field)	162,500		162,500		
Ord. 12-12 (Improvement of Center St)	146,500			146,500	
Ord. 12-16 (Improvement of Playgrounds at Kennedy Field & Prospect Park)	47,500	-	47,500	-	-
	<u>1,198,841</u>	<u>335,447</u>	<u>383,500</u>	<u>447,041</u>	<u>32,853</u>
Decreased by:					
Cash Receipts:					
Ord. 10-06 (Handicapped Ramps)	14,902	14,902			
Ord. 10-06 (Hardcastle Pond)	62,321		62,321		
Ord. 10-06 (Sutton-Tennis Court)	62,200		62,200		
Ord. 11-08 (River Road)	120,752			120,752	
Ord. 10-05	127,414			127,414	
Ord. 11-09 (ADA Ramps)	104,636	104,636	-	-	-
	<u>492,225</u>	<u>119,538</u>	<u>124,521</u>	<u>248,166</u>	<u>-</u>
Balance, December 31, 2012	<u>\$ 706,616</u>	<u>\$ 215,909</u>	<u>\$ 258,979</u>	<u>\$ 198,875</u>	<u>\$ 32,853</u>
Analysis of Balance					
Ord. 10-06 (Handicapped Ramps)	\$ 545	\$ 545			
Ord. 10-06 (Hardcastle Pond)	17,679		17,679		
Ord. 10-06 (Sutton-Tennis Court)	31,300		31,300		
Ord. 11-08 (River Road)	52,375			52,375	
Ord. 11-09 (ADA Ramps)	5,364	5,364			
Ord. 12-07 (Resurfacing of Reichelt Rd)	83,000	83,000			
Ord. 12-07 (Handicapped Access for the Senior Center)	127,000	127,000			
Ord 12-07 (Twp of Teaneck Reimburse)	32,853				\$ 32,853
Ord. 12-08 (Installation of Lighting at Kennedy Field)	162,500		162,500		
Ord. 12-12 (Improvement of Center St)	146,500			146,500	
Ord. 12-16 (Improvement of Playgrounds at Kennedy Field & Prospect Park)	47,500	-	47,500	-	-
	<u>\$ 706,616</u>	<u>\$ 215,909</u>	<u>\$ 258,979</u>	<u>\$ 198,875</u>	<u>\$ 32,853</u>

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

Balance, December 31, 2011	\$ 8,749
Decreased by:	
Anticipated as Current Fund Revenue	<u>8,749</u>
Balance, December 31, 2012	<u>\$ -</u>

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

Balance, December 31, 2011	\$ 315,988
Increased by:	
Grants Awarded	
Community Development Block Grant - Ord. 11-09	110,000
Community Development Block Grant - Ord. 12-07	83,000
Community Development Block Grant - Ord. 12-07	127,000
Township of Teaneck - Ord 12-07	32,853
Department of Transportation - Ord. 12-12	<u>146,500</u>
	815,341
Decreased by:	
Grant Receipts	
Community Development Block Grant - Ord. 10-06	14,902
Department of Transportation - Ord. 11-08	120,752
Department of Transportation - Ord. 10-05	127,414
Community Development Block Grant - Ord. 11-09	<u>104,636</u>
Balance, December 31, 2012	<u>\$ 447,637</u>

Analysis of Balance

Department of Transportation - Ord. 11-08	\$ 52,375
Community Development Block Grant - Ord. 10-6	545
Community Development Block Grant - Ord. 11-09	5,364
Community Development Block Grant - Ord. 12-07	83,000
Community Development Block Grant - Ord. 12-07	127,000
Township of Teaneck - Ord 12-07	32,853
Department of Transportation - Ord. 12-12	<u>146,500</u>
	<u>\$ 447,637</u>

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

Balance, December 31, 2011	\$	1,170,360
Decreased by:		
Paid by Budget Appropriation		51,335
Balance, December 31, 2012	\$	1,119,025

Analysis of Balance

Fund Loan	\$	564,025
Trust Loan		555,000
	\$	1,119,025

STATEMENT OF EIT LOANS RECEIVABLE

Balance, December 31, 2011	\$	841,784
Decreased by:		
Cash Receipts		434,276
Balance, December 31, 2012	\$	407,508

Analysis of Balance

Fund Loan	\$	224,379
Trust Loan		183,129
	\$	407,508

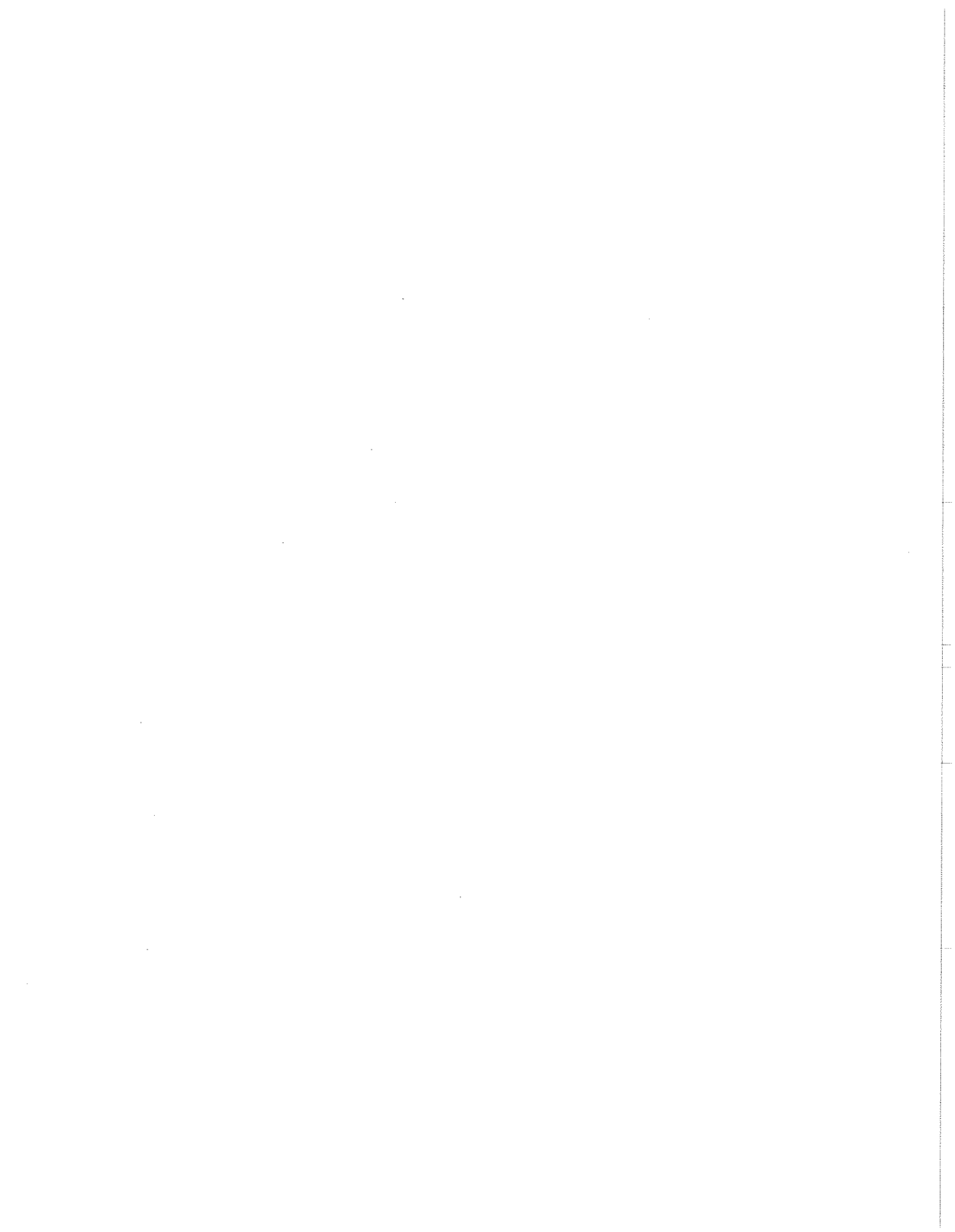
**BOROUGH OF NEW MILFORD
STATEMENT OF BOND ANTICIPATION NOTES**

Ordinance #	Improvement Description	Date of Issue	Date of Maturity	Interest Rate	Balance December 31, 2011	Increased	Decreased	Balance December 31, 2012
09-04	Improvements to Boulevard, Sec. 5	4/19/2011 4/19/2012	4/19/2012 4/19/2013	1.75% 1.25%	\$ 77,000	\$ 31,933	\$ 77,000	\$ - 31,933
09-05	Various Public Improvements	4/19/2011 4/19/2012	4/19/2012 4/19/2013	1.75% 1.25%	292,300	278,165	292,300	- 278,165
09-07	Sanitary Sewer Rehabilitation	4/19/2011 4/19/2012	4/19/2012 4/19/2013	1.75% 1.25%	28,500	26,873	28,500	- 26,873
09-13	Various Public Improvements/ Additional Machinery and Equip.	4/19/2011 4/19/2012	4/19/2012 4/19/2013	1.75% 1.25%	480,040	480,040	480,040	- 480,040
10-05	Various Public Improvements	4/19/2011 4/19/2012	4/19/2012 4/19/2013	1.75% 1.25%	450,000	450,000	450,000	- 450,000
10-06	Various Public Improvements	4/19/2011 4/19/2012	4/19/2012 4/19/2013	1.75% 1.25%	79,035	79,035	79,035	- 79,035
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	4/19/2011 4/19/2012	4/19/2012 4/19/2013	1.75% 1.25%	595,000	595,000	595,000	- 595,000
10-13	Various Public Improvements	4/19/2011 4/19/2012	4/19/2012 4/19/2013	1.75% 1.25%	25,700	25,700	25,700	- 25,700
11-08	River Road Streetscape Improvement Project, Phase IV	9/19/2011 4/19/2012	4/19/2012 4/19/2013	0.88% 1.25%	200,000	79,254	200,000	- 79,254
11-09	Various Public Improvements	9/19/2011 4/19/2012	4/19/2012 4/19/2013	0.88% 1.25%	727,000	727,000	727,000	- 727,000
12-07	Various Public Improvements	6/19/2012	4/19/2013	1.05%	-	881,000	-	881,000
					<u>\$ 2,954,575</u>	<u>\$ 3,654,000</u>	<u>\$ 2,954,575</u>	<u>\$ 3,654,000</u>
					Renewals	\$ 2,773,000	\$ 2,773,000	
					Issued for Cash	881,000		
					Paid by Budget Appropriation		26,857	
					Paid with Capital Cash		154,718	
					<u>\$ 3,654,000</u>	<u>\$ 2,954,575</u>	<u>\$ 2,954,575</u>	<u>\$ 3,654,000</u>

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

Ord. No.	<u>Improvement Description</u>	<u>Balance, December 31, 2011</u>	<u>2012 Authorizations</u>	<u>Notes Issued</u>	<u>Balance, December 31, 2012</u>
		<u>Increased by</u>			<u>Decreased by</u>
	<u>General Improvements</u>				
89-11/91-24	Resurfacing of Reichelt Road	\$ 727			\$ 727
94-05/96-11	Various Improvements	860			860
00-05/04-19	Sanitary Sewer Rehabilitation	9,500			9,500
01-04/13	Recreation Area Improvements	4,725			4,725
03-03	Gateway to Historic New Bridge Landing Project	16,772			16,772
03-12	Various Improvements	475			475
04-02	Improvements to River Road, Section 3	7,680			7,680
04-10	Various Improvements	218,000			218,000
05-11	Hardcastle Pond Redevelopment	4,872			4,872
05-14/07-16	Various Public Improvements	24,303			24,303
05-23	Acquisition of Property	15,482			15,482
06-11	Improvements to River Road, Section 5	12,776			12,776
08-08	Various Improvements	435			435
09-13	Various Public Improvements	24,660			24,660
10-14	Sanitary Sewer Pipe Lining & Replacement	234,090			234,090
12-07	Various Public Improvements	-	\$ 881,000	\$ 881,000	-
12-12	Improvements of Center Street	-	183,000	-	183,000
		<u>\$ 575,357</u>	<u>\$ 1,064,000</u>	<u>\$ 881,000</u>	<u>\$ 758,357</u>

PUBLIC ASSISTANCE FUND



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

	<u>PATF #1</u>	<u>Total</u>
Balance, December 31, 2011	\$ 11,144	\$ 11,144
Increased by Receipts:		
Donations	1,768	1,768
Interest	<u>32</u>	<u>32</u>
	<u>12,944</u>	<u>12,944</u>
Decreased by Disbursements:		
Non-Reimbursable Public Assistance Payments	<u>933</u>	<u>933</u>
Balance, December 31, 2012	<u>\$ 12,011</u>	<u>\$ 12,011</u>

STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE FUND

	<u>PATF #1</u>	<u>Total</u>
Balance, December 31, 2011	\$ 11,144	\$ 11,144
Increased by:		
Donations	1,768	1,768
Interest	<u>32</u>	<u>32</u>
	<u>12,944</u>	<u>12,944</u>
Decreased by:		
Non-Reimbursable Public Assistance Payments	<u>933</u>	<u>933</u>
Balance, December 31, 2012	<u>\$ 12,011</u>	<u>\$ 12,011</u>

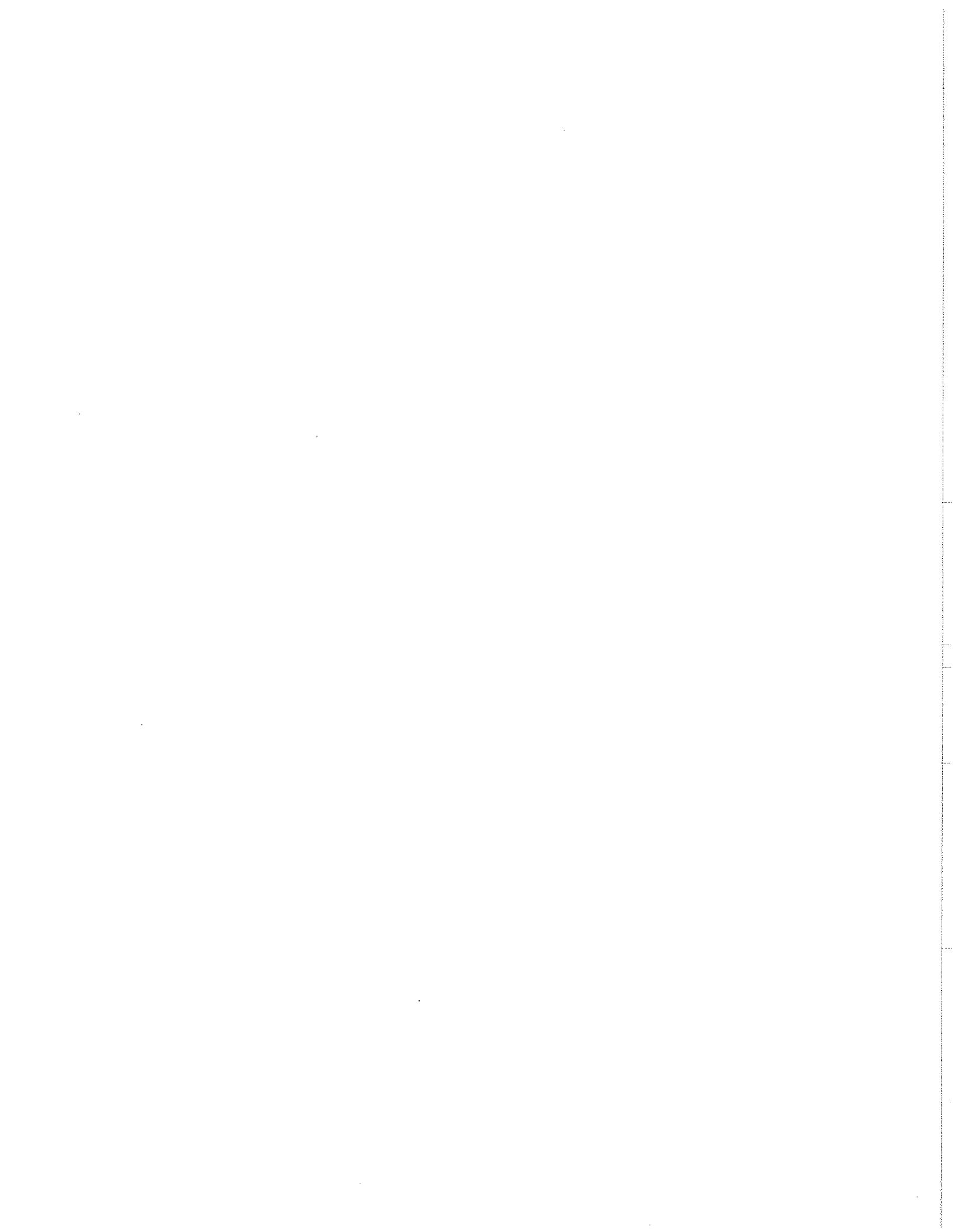
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BOROUGH OF NEW MILFORD



PART II

GOVERNMENT AUDITING STANDARDS



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

17 - 17 ROUTE 208
FAIR LAWN, NJ 07410
TELEPHONE (201) 791-7100
FACSIMILE (201) 791-3035
WWW.LVHCPA.COM

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
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ROBERT W. HAAG, CPA, PSA
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DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
RALPH M. PICONE, CPA, RMA, PSA
EDWARD N. KERE, CPA
LORI T. MANUKIAN, CPA, PSA
MARK SACO, CPA

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements – regulatory basis of the Borough of New Milford, as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2013. Our report on the financial statements – regulatory basis indicated that the financial statements were not prepared and presented in accordance with accounting principles generally accepted in the United States of America but rather prepared and presented in accordance with the regulatory basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States, to meet the requirements of the State of New Jersey for municipal government entities as described in Note 1. In addition, our report on the financial statements – regulatory basis was qualified on the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2012-1 that we consider to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of New Milford's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

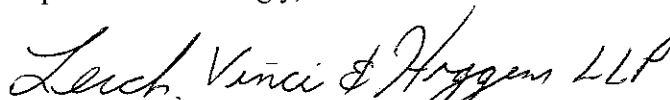
We also noted certain matters that we reported to management of the Borough of New Milford in Part III of this report of audit entitled; "Letter of Comments and Recommendations"

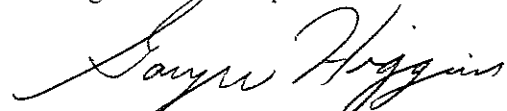
Borough of New Milford's Responses to Findings

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

Purpose of this Report

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


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


Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY U.S. OMB CIRCULAR A-133 AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 04-04

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the Borough of New Milford's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Borough of New Milford's major federal programs for the year ended December 31, 2012. The Borough of New Milford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of New Milford's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Circulars 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 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 program. However, our audit does not provide a legal determination of the Borough of New Milford's compliance.

Opinion on Each Major Federal 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 programs for the year ended December 31, 2012.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

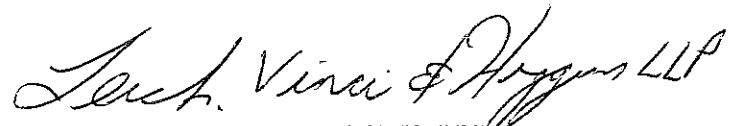
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 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 program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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.

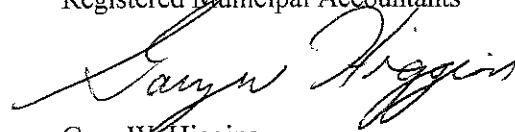
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements - regulatory basis of the Borough of New Milford as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated June 12, 2013, which contained a modified opinion on those financial statements because they were not prepared and presented in accordance with accounting principles generally accepted in the United States of America and also contained a modified opinion on those financial statements prepared and presented in accordance with the regulatory basis of accounting because of the presentation of the unaudited LOSAP Trust Fund financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by OMB Circular A-133 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



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



Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405

Fair Lawn, New Jersey
June 12, 2013

**BOROUGH OF NEW MILFORD
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012**

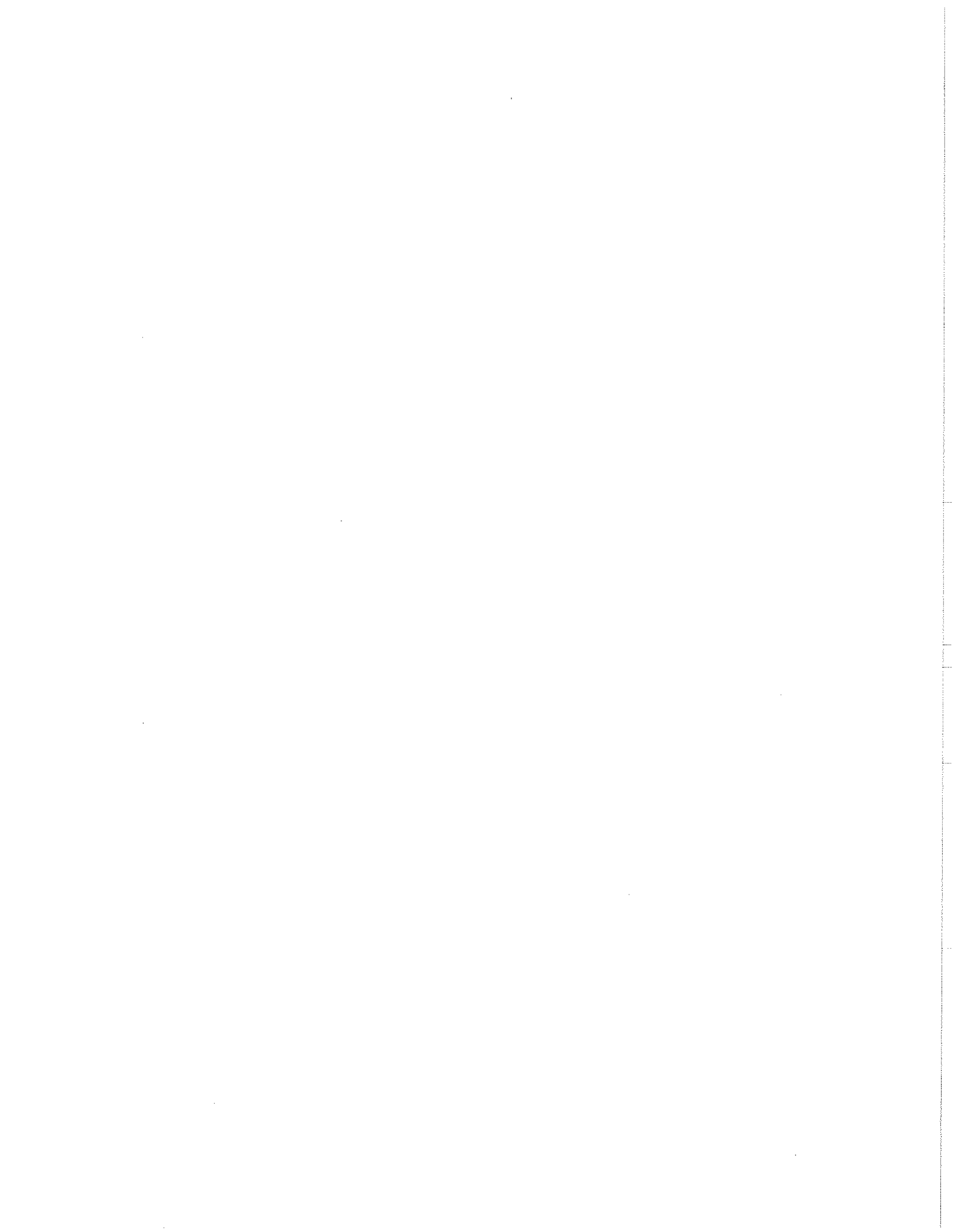
<u>State Grant Program</u>	<u>Account Numbers</u>	<u>Grant Year</u>	<u>2012 Grant Receipts</u>	<u>Balance, December 31, 2011</u>	<u>Revenue Realized</u>	<u>Adjustments (1)</u>	<u>Expenditures</u>	<u>Balance, December 31, 2012</u>	<u>Memo Cumulative Total Expenditures</u>
Drunk Driving Enforcement Fund	1110-443-031020-22	2012 2010 Prior	\$ 2,255	\$ 1,695 1,936	\$ 1,740	\$	\$ 1,041 1,936	\$ 1,740 654	\$ 3,341 1,936
Alcohol Education and Rehabilitation Program	4250-760-05000-63-260	2012 Prior	648	1,541	162			162 1,541	
Clean Communities Act	4900-765-178900	2012 2011 2010 Prior		\$ 4,546 25 10,315	\$ 23,523	\$ 3,430	\$ 3,427 7,976 25 10,315	20,096 -	3,427 28,072 24,943 10,315
Recycling Tonnage Grant	4830-752-050550-30	2012 2011 2010 Prior		38,643 38,648 21,054	34,483		33,043 38,648 21,054	34,483 5,600	33,043 38,648 21,054
Municipal Stormwater Management		Prior		9,022			4,050	4,972	4,050
Body Armor Grant		2012 2011 Prior	3,215	363 3,831		2,779	2,779	3,142 1,052	8,794 2,779
Bulleproof Vest Partnerships		2012			1,853		1,853		1,853
Drive Sober/Get Pulled Over		2012			4,400		1,200	3,200	1,200
Title III - Senior Citizens		2012 2010	41,125	3,271	41,360		41,360 3,271	-	41,360 20,680
HAVA Grant Polling Place		2012			2,995		2,995		2,995
Office of Emergency Management Hazard Mitigation Program		2012			1,612,301		14,795	1,597,506	14,795
Department of Environmental Protection - Public Wastewater Facilities		2010	217,138	400,267			217,138	183,129	391,871
N/A - Not Available				\$ 535,157	\$ 1,722,817	\$ 6,209	\$ 406,906	\$ 1,857,277	

(1) Cancelled Prior Year Encumbrances

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

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



**BOROUGH OF NEW MILFORD
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2012**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current Fund	\$ 205,655	\$ 1,722,817	\$ 1,928,472
General Capital Fund	<u>466,500</u>	<u>-</u>	<u>466,500</u>
Total Financial Awards	<u>\$ 672,155</u>	<u>\$ 1,722,817</u>	<u>\$ 2,394,972</u>

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

**BOROUGH OF NEW MILFORD
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2012**

NOTE 5 STATE LOANS OUTSTANDING

The Borough's state loans outstanding at December 31, 2012, 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	\$ 564,025
Trust Loan	<u>555,000</u>
	<u>\$ 1,119,025</u>

**BOROUGH OF NEW MILFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Part I – Summary of Auditor's Results

Financial Statement Section

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

Federal Awards Section

- D) Dollar threshold used to determine Type A programs: \$ 300,000
- E) Auditee qualified as low-risk auditee? yes X no n/a
- F) Type of auditor's report on compliance for major programs: Unmodified
- G) Internal Control over compliance:
- 1) Material weakness(es) identified? yes X no
- 2) Were significant deficiency(s) identified that were not considered to be material weaknesses? yes X no
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section.510(a)) yes X no

I) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>20.205</u>	<u>U.S. Dept. of Transportation - Highway Planning</u>
	<u>and Construction</u>
<u>66.458</u>	<u>Environmental Protection Agency - Capitalization</u>
	<u>Grants for Clean Water State Revolving Funds</u>

**BOROUGH OF NEW MILFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2012**

Part I – Summary of Auditor's Results

State Awards Section

NOT APPLICABLE

**BOROUGH OF NEW MILFORD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Chapter 5.18-5.20 of *Government Auditing Standards*

Finding 2012-1:

A certain General Capital Fund contract was not properly encumbered at December 31, 2012.

Criteria or specific requirement:

N.J.A.C. 5:30-5.2, "Encumbrance Systems".

Condition:

A General Capital Fund contract totaling \$230,435 was unrecorded at December 31, 2012.

Context:

A General Capital Fund contract totaling \$230,435 was unrecorded at December 31, 2012.

Effect:

The financial statements presented for audit did not reflect all significant contracts payable. The financial statements have been adjusted to include the unrecorded liability.

Cause:

Contract was not furnished to the Finance Office.

Recommendation:

General Capital Fund contracts to be awarded by the Governing Body be provided to the Finance Office prior to approval to ensure proper financial reporting.

Management's Response:

Contracts to be awarded by the Governing Body will be provided to the Finance Office timely.

**BOROUGH OF NEW MILFORD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

STATUS OF PRIOR YEAR FINDINGS

Finding 2011-1

Certain accounts in the general ledgers for the year ended December 31, 2011 were not in agreement with the Treasurer's monthly reports, supporting reconciliations, subsidiary records and/or journals as a result of certain required journal entries not being prepared and recorded.

Status

Corrective action has been taken.

Finding 2011-2

Our audit of the General Capital and Trust Funds revealed that a general ledger accounting system has not been implemented and maintained for each of the respective funds.

Status

Corrective action has been taken.

Finding 2011-3

Our audit revealed that certain General Capital Fund contracts were not properly encumbered at December 31, 2011.

Additionally, the audit indicated that certain goods and/or services were ordered prior to the issuance of an approved purchase order.

Status

Corrective action has been taken, except as noted in Finding 2012-1.

BOROUGH OF NEW MILFORD

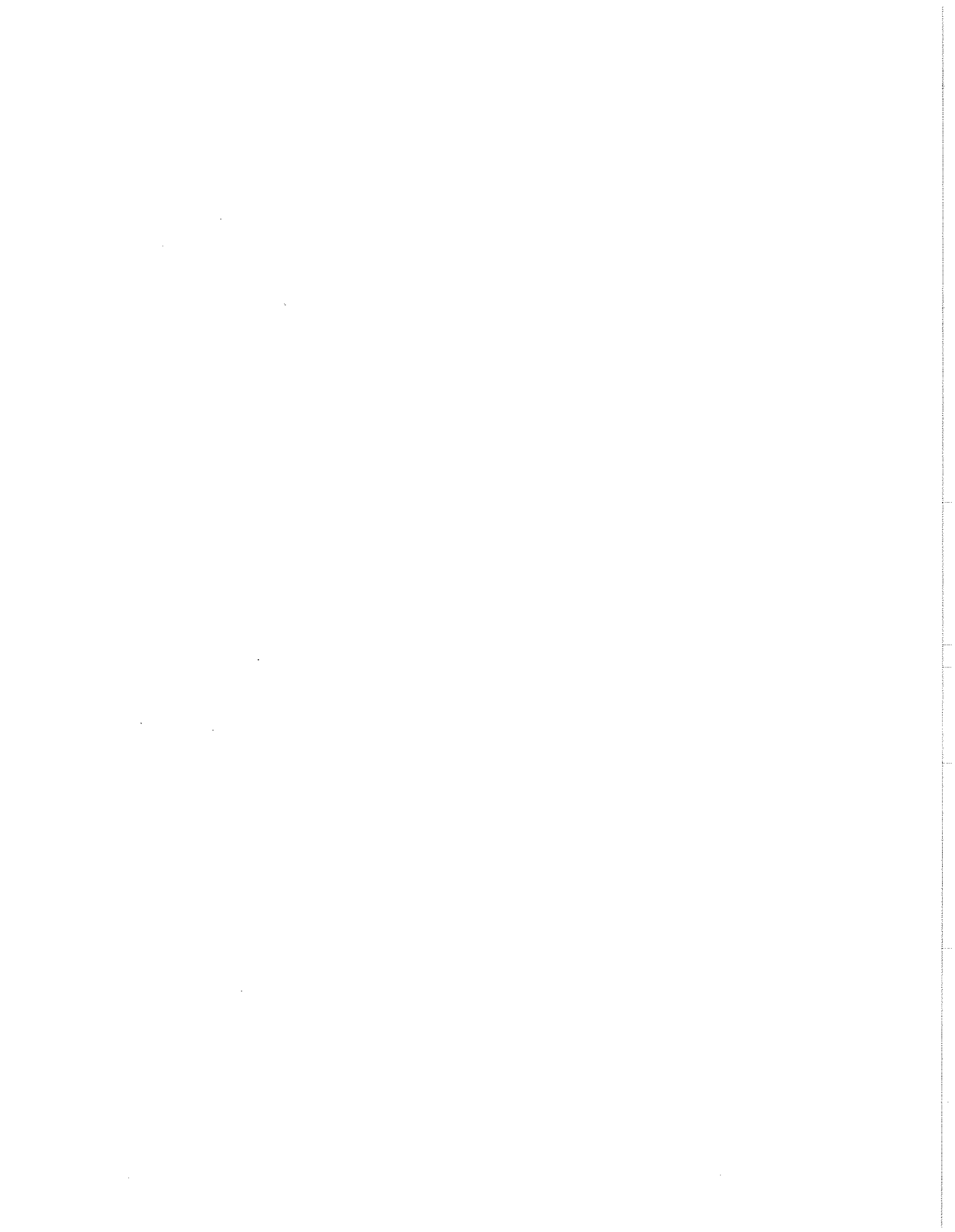
BERGEN COUNTY

PART III

SUPPORTING DATA

LETTER OF COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2012



**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

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

	<u>Year 2012</u>		<u>Year 2011</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
REVENUE AND OTHER INCOME REALIZED				
Fund Balance Utilized	\$ 130,088	0.25%	\$ 125,200	0.25 %
Miscellaneous - From Other Than Local				
Property Tax Levies	4,555,701	8.64%	2,893,238	5.78
Collection of Delinquent Taxes and Tax Title Liens	464,137	0.88%	517,086	1.03
Collection of Current Tax Levy	46,943,670	89.00%	46,236,569	92.31
Other Credits	<u>652,091</u>	<u>1.24%</u>	<u>316,055</u>	<u>0.63</u>
 Total Income	 <u>52,745,687</u>	 <u>100.00%</u> %	 <u>50,088,148</u>	 <u>100.00</u> %
EXPENDITURES				
Budget Expenditures				
Municipal Purposes	19,607,341	37.55%	17,758,468	35.53 %
County Taxes	4,221,095	8.08%	4,109,757	8.22
Local School Taxes	28,226,840	54.05%	27,774,251	55.57
Municipal Open Space Taxes	97,387	0.19%	98,227	0.20
Other Expenditures	<u>68,330</u>	<u>0.13%</u>	<u>237,343</u>	<u>0.47</u>
 Total Expenditures	 <u>52,220,993</u>	 <u>100.00%</u> %	 <u>49,978,046</u>	 <u>100.00</u> %
 Less: Expenditures to be Raised by Future Revenue	 <u>75,000</u>		 <u>127,400</u>	
 Total Adjusted Expenditures	 <u>52,145,993</u>		 <u>49,850,646</u>	
 Excess in Revenue	 599,694		 237,502	
 Fund Balance, January 1	 <u>447,997</u>		 <u>335,695</u>	
	1,047,691		573,197	
 Less Utilization as Anticipated Revenue	 <u>130,088</u>		 <u>125,200</u>	
 Fund Balance, December 31	 <u>\$ 917,603</u>		 <u>\$ 447,997</u>	

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Tax Rate</u>	<u>\$2.448</u>	<u>\$2.385</u>	<u>\$2.296</u>
<u>Apportionment of Tax Rate</u>			
Municipal	.774	.755	.729
Municipal Open Space Tax	.005	.004	.005
Local School	1.451	1.416	1.357
County (Includes County Open Space Tax)	.218	.210	.205

Assessed Valuation Basis

2012	<u>\$1,945,476,473</u>
2011	<u>\$1,961,927,237</u>
2010	<u>\$1,964,597,322</u>

Comparison Of Tax Levies And Current Collections

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

<u>Year</u>	<u>Tax Levy</u>	<u>Cash Collections</u>	<u>Percentage of Collection</u>
2012	\$ 47,751,598	\$ 46,943,670	98.30%
2011	46,925,810	46,236,569	98.53%
2010	45,165,561	44,559,574	98.66%

Delinquent Taxes and Tax Title Liens

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

<u>December 31 Year</u>	<u>Amount of Tax Title Liens</u>	<u>Amount of Delinquent Taxes</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2012	\$ 11,785	\$ 543,075	\$ 554,860	1.16%
2011	10,353	488,794	499,147	1.06%
2010	8,958	526,266	535,224	1.19%

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

Property Acquired By Tax Title Lien Foreclosure

No properties have been acquired in 2012 by foreclosure or deed, as a result of liquidation of tax title liens.

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

<u>Year</u>	<u>Amount</u>
2012	\$-0-
2011	-0-
2010	-0-

Comparative Schedule Of Fund Balance

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2012	\$917,603	\$556,227
	2011	447,997	130,088
	2010	335,965	125,200
	2009	550,536	331,500
	2008	1,017,742	650,000

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

OFFICIALS IN OFFICE AND SURETY BONDS

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

<u>Name</u>	<u>Title</u>
Ann Subrizi	Mayor
Howard Berner	Council President
Diego Robalino	Councilman
Austin Ashley	Councilman
Randi Duffie	Councilwoman
Hedy Grant	Councilwoman
Dominic Colucci	Councilman
Diana McLeod-Lindner	Chief Financial Officer
Christine Demiris	Borough Administrator/Clerk
Denise Amoroso	Tax Collector/Assistant Treasurer
Anne Melikian	Deputy Tax Collector
James Taormina	Construction Official
Alan Silverman	Fire Subcode Official
Maria Sapuppo	Zoning Official
Michael Kingman	Municipal Prosecutor (1/1/12-6/25/12)
Scott Mooney	Municipal Prosecutor (6/26/12-12/31/12)
Susan Armbruster-Stucky	Municipal Court Administrator
Kevin Kelly	Municipal Court Judge
Maureen Kaman	Assessor
James Tufaro	Fire Chief
Frank Papapietro	Chief of Police
Michael Calamari	Assistant 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.

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

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

GENERAL COMMENTS

Prior Year Unresolved

The audit of the Recreation Commission revealed the following:

- A detailed cash receipts and disbursements analysis is not maintained.
- Monthly bank reconciliations are not performed.
- Certain cash disbursements did not have detail supporting documentation.
- Vouchers with appropriate certifications are not utilized for cash disbursements.
- Cash disbursements are not tracked by individual vendor to determine compliance with the Local Public Contracts Law and Internal Revenue Service reporting requirements.
- Bills are not presented to the Governing body for approval.
- Fees being charged do not agree to Borough ordinance.
- Deposits are not being made in a timely manner (within 48 hours).

It is recommended that internal controls pertaining to the financial activities of the Recreation Commission be reviewed and enhanced.

The audit of the Municipal Court revealed the following:

- 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.
- There are old outstanding reconciling items in the regular court and bail accounts.
- The December 2012 cash receipts and subsequent cash disbursements in January 2013 are not in agreement with the December 2012 reconciled cash balance.

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

The audit indicated that refunds were applied to Current Fund appropriation reserves in excess of current year expenditures resulting in a net credit balance in expenditures. It is recommended that the application of refunds to Current Fund appropriation reserve balances from prior years expenditures not be made in excess of current year charges.

The audit indicated there is no independent verification of State payroll deductions remitted by the Borough's third party payroll provider. It is recommended that the Borough implement procedures to verify the payment of State payroll deductions by its third party payroll provider.

The audit of the Municipal Court indicated that the Tickets Assigned Not Issued Report indicates certain tickets in excess of six months. It is recommended that reports issued by the Municipal Court for the Automated Traffic System be in compliance with the Administrative Office of the Courts Financial Procedures Manual.

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

GENERAL COMMENTS (Continued)

Current Year

Our audit of the Public Assistance Fund revealed that checks contain only one signature. It is recommended that all checks contain two signatures.

The audit indicated that the Other Trust escrow ledger included old escrow deposits. It is recommended that continued efforts be made to review and clear of record old escrow deposits, where applicable.

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

N.J.S. 40A:11-4 states, "Every contract or agreement, for the performance of any work or the furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$21,000, except by contract or agreement".

If the Borough's purchasing agent is qualified pursuant to subsection b. of Section 9 of P.L. 1971, c.198 (C.40A:11-9), the Borough may establish the bid threshold up to a maximum of \$36,000. The Borough, by resolution, has increased the bid threshold to \$36,000.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$36,000 within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Borough Attorney's opinion should be sought before a commitment is made.

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

- River Road Streetscape -- Phase IV
- 2013 Dump Truck
- Center Street and Reichert Road, Section 2, Improvements

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

Collection of Interest on Delinquent Taxes and Assessments

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

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

GENERAL COMMENTS (Continued)

Collection of Interest on Delinquent Taxes and Assessments (Continued)

The Governing Body on January 14, 2012, adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

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

Delinquent Taxes and Tax Title Liens

The last tax sale was held on November 29, 2012 and was complete.

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

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

<u>Year</u>	<u>Number of Liens</u>
2012	3
2011	3
2010	3

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

Suggestions to Management

It is suggested that the payment for accumulated absences for noncontractual employees be formally approved by the Mayor and Council.

**BOROUGH OF NEW MILFORD
SUPPORTING DATA**

RECOMMENDATIONS

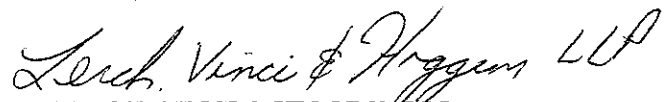
It is recommended that:

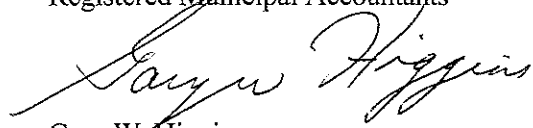
1. General Capital Fund contracts to be awarded by the Governing Body be provided to the Finance Office prior to approval to ensure proper financial reporting.
- * 2. The application of refunds to Current Fund appropriation reserve balances from prior year expenditures not be made in excess of current year charges.
- * 3. The Borough implement procedures to verify the payment of State payroll deductions by its third party payroll provider.
- * 4. The internal controls pertaining to the financial activities of the Recreation Commission be reviewed and enhanced.
- * 5. Reconciling items on the Municipal Court bank accounts be reviewed and cleared of record and the account shortfalls be remediated.
- * 6. Reports issued by the Municipal Court from the Automated Traffic System be in compliance with the Administrative Office of the Courts Financial Procedures Manual.
7. With regard to the Public Assistance Fund, all checks contain two signatures.
8. Continued efforts be made to review and clear of record old escrow deposits, where applicable.

Status of Prior Years' Audit Findings/Recommendations

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

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


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


Gary W. Higgins
Registered Municipal Accountant
RMA Number CR00405