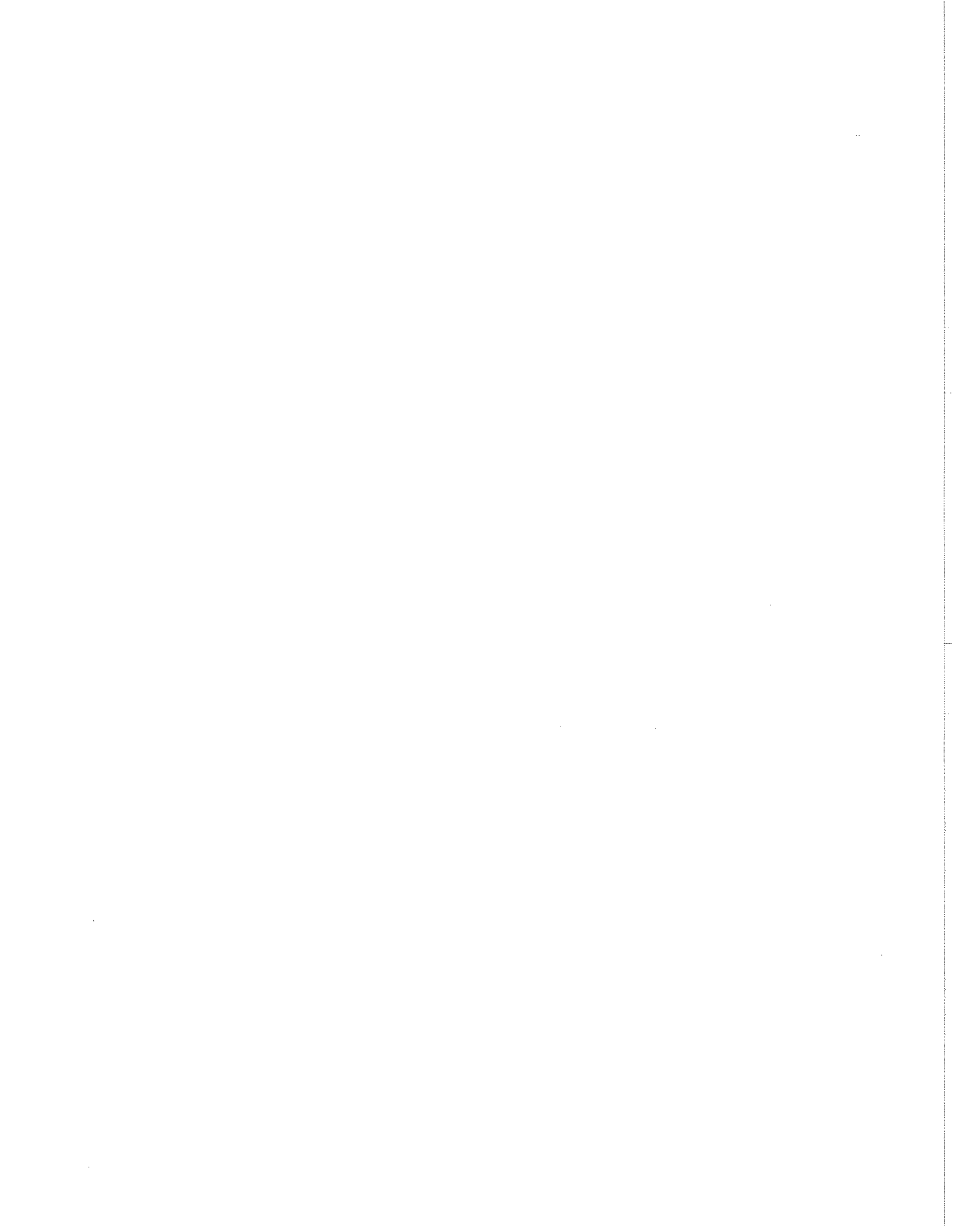


**BOROUGH OF NEW MILFORD  
BERGEN COUNTY, NEW JERSEY  
REPORT OF AUDIT  
YEAR ENDED DECEMBER 31, 2011**

8



# BOROUGH OF NEW MILFORD

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**BOROUGH OF NEW MILFORD**

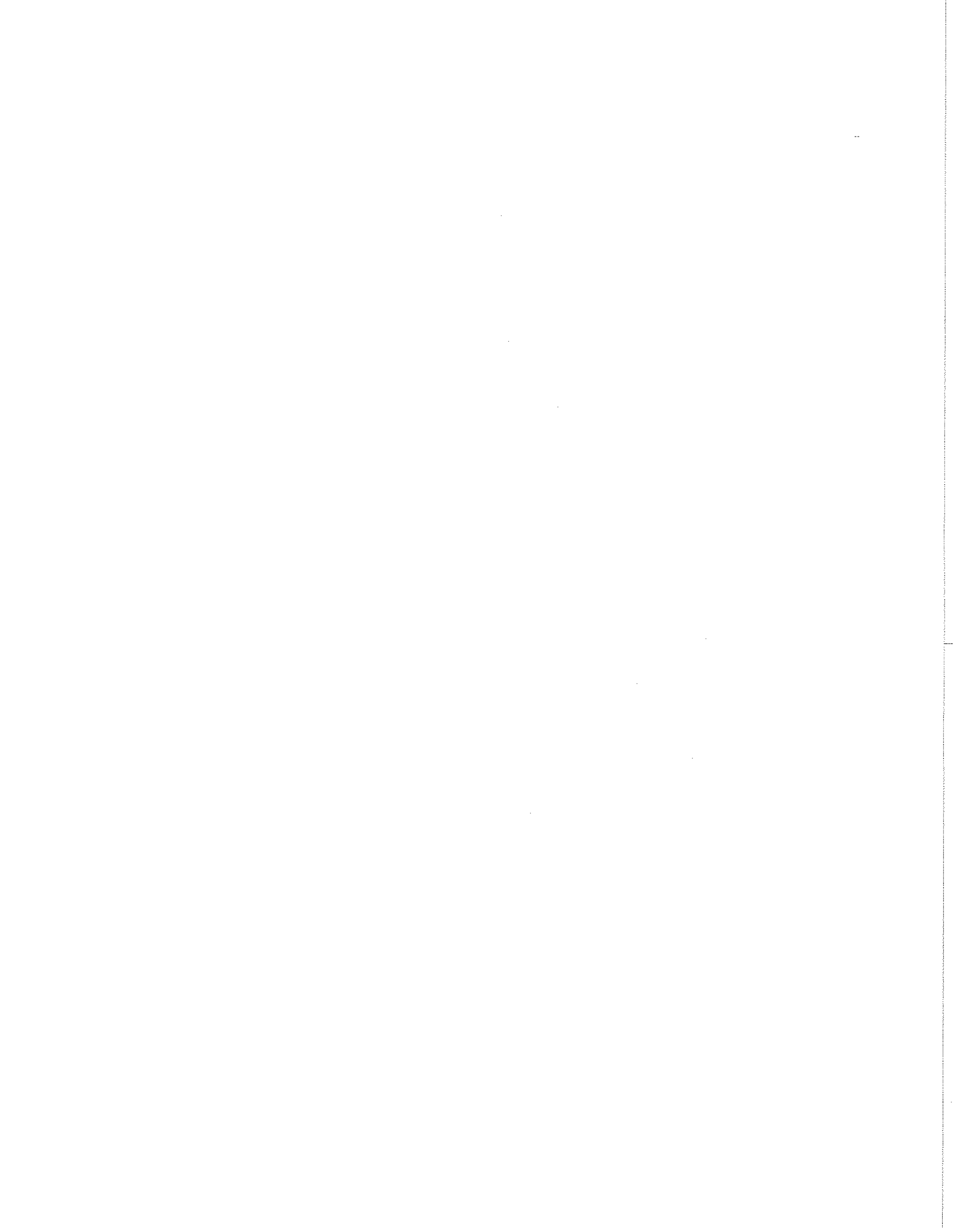
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**BOROUGH OF NEW MILFORD**

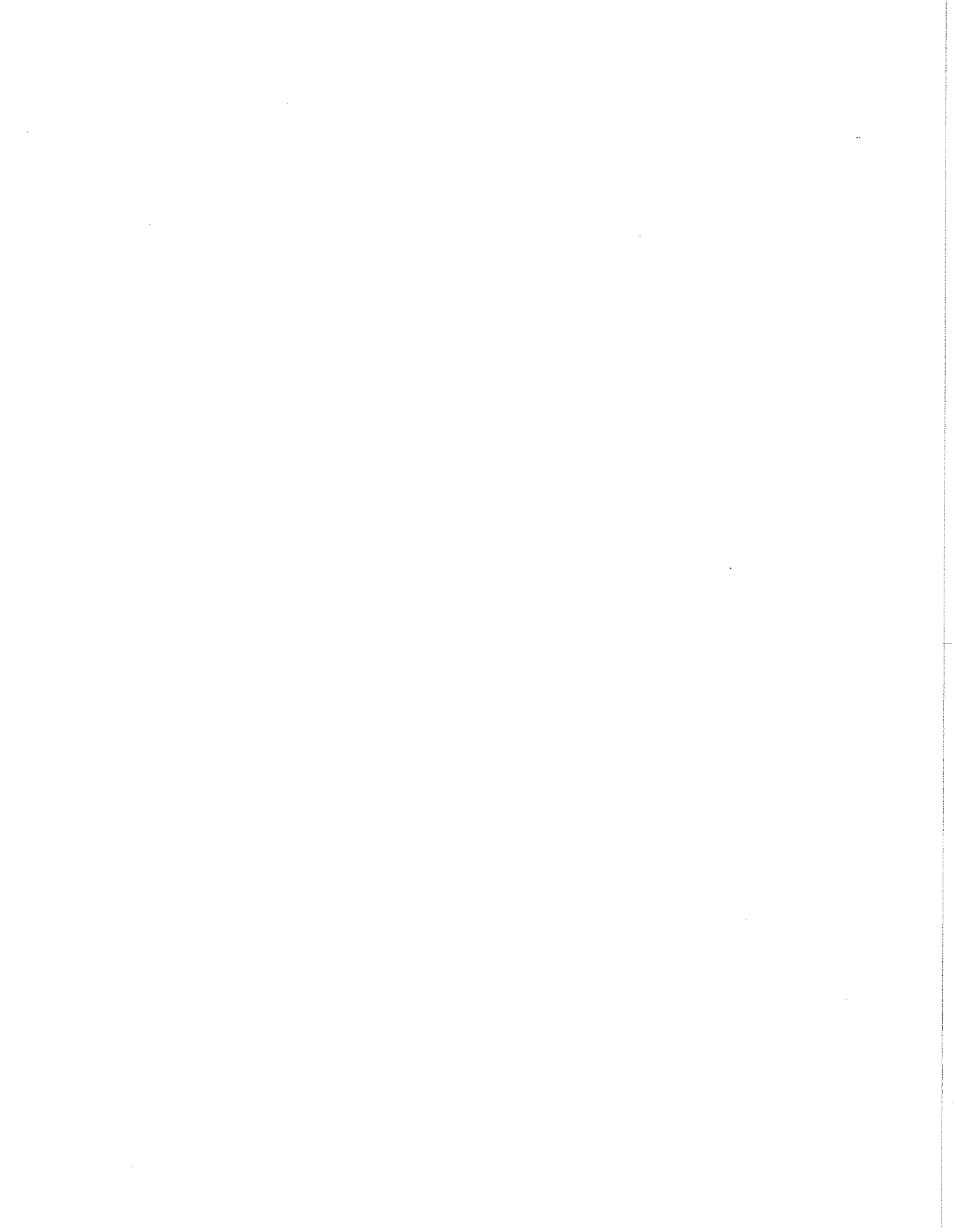
**BERGEN COUNTY**

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**PART I**

**REPORT OF AUDIT OF FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2011**





# LERCH, VINCI & HIGGINS, LLP

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2011 and the related statement of operations and changes in fund balance - regulatory basis statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year then ended. These financial statements are the responsibility of the Borough of New Milford's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Borough of New Milford as of and for the year ended December 31, 2010, were audited by other auditors whose report dated April 21, 2011 expressed a qualified opinion, due to the presentation of the unaudited financial statements of the Length of Service Award Program, on those financial statements prepared using regulatory accounting practices which differ from accounting principles generally accepted in the United States of America.

Except as discussed in the fourth paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of New Milford's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Borough has prepared these financial statements using accounting 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 practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In addition, the financial statements of the Length of Service Awards Program (LOSAP) 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 Fund financial statements as part of our audit of the Borough's financial statements. The LOSAP Fund financial activities are included in the Borough's Trust Fund, and represent 35 percent of the assets and liabilities, respectively, of the Borough's Trust Funds as of December 31, 2011.

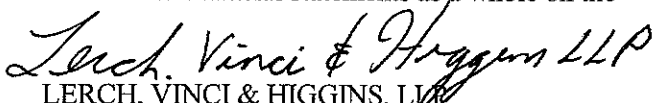
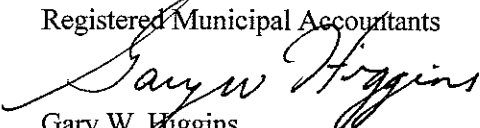
## INDEPENDENT AUDITOR'S REPORT (Continued)

In our opinion, because of the effects of the Borough preparing its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Borough of New Milford, as of December 31, 2011, or the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, the Borough has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion except for the effects of such adjustments, if any, as might have been determined to be necessary had the LOSAP Fund financial statements been audited, the financial statements - regulatory basis referred to previously 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, 2011 and the results of operations and changes in fund balance - regulatory basis, and the revenues - regulatory basis and the expenditures - regulatory basis of the various funds for the year then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated May 23, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 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 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. 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 information is fairly stated in all material respects in relation to the financial statements as a whole on the basis of accounting described in Note 1.

  
LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Registered Municipal Accountants  
  
Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
May 23, 2012

**BOROUGH OF NEW MILFORD**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Cash	A-4	\$ 4,693,359	\$ 1,210,468
Cash - Change Funds	A-6	575	575
Cash - Petty Cash	A-7	100	100
Due from State of New Jersey			
Veterans' and Senior Citizens' Deductions	A-8	8,263	5,729
Grants Receivable	A-19	<u>1,715</u>	<u>120,352</u>
		<u>4,704,012</u>	<u>1,337,224</u>
<b>Receivables and Other Assets With Full Reserves</b>			
Taxes Receivable	A-9	488,794	526,266
Tax Title Liens Receivable	A-10	10,353	8,958
Prepaid School Taxes	A-11		110,399
Revenue Accounts Receivable	A-12	14,846	4,529
Due from General Capital Fund	C-4	102,656	
Due from Other Trust Fund	B-6		3,159
Due from Animal Control Trust Fund	B-19	<u>1,866</u>	<u>-</u>
		<u>618,515</u>	<u>653,311</u>
<b>Deferred Charges</b>			
Special Emergency Authorizations	A-14	10,000	15,000
Overexpenditure of Appropriation Reserves	A-15		69,022
Emergency Authorizations	A-13	<u>127,400</u>	<u>-</u>
		<u>137,400</u>	<u>84,022</u>
<b>Total Assets</b>		<u>\$ 5,459,927</u>	<u>\$ 2,074,557</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF NEW MILFORD**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**CURRENT FUND**  
**AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Appropriation Reserves	A-3,A-18	\$ 925,354	\$ 412,553
Encumbrances Payable	A-22	371,502	330,741
Due to Open Space Trust Fund	B-7	1	1
Due to Other Trust Fund	B-6	131	-
Prepaid Taxes	A-16	262,965	247,341
Miscellaneous Reserves	A-20	17,718	17,312
Tax Overpayments	A-23	5,035	1,060
Reserve for Grants and Aid - Unappropriated	A-28	57,065	23,626
Reserve for Grants and Aid - Appropriated	A-29	91,338	47,699
County Taxes Payable	A-26	7,517	5,218
Municipal Open Space Taxes Payable	A-25	131	
Notes Payable	A-27	127,400	
Tax Anticipation Notes Payable	A-21	2,500,000	
Reserve for FEMA	A-17	27,258	-
		<u>4,393,415</u>	<u>1,085,551</u>
Reserve for Receivables	A	618,515	653,311
Fund Balance	A-1	<u>447,997</u>	<u>335,695</u>
<b>Total Liabilities, Reserves and Fund Balance</b>		<u>\$ 5,459,927</u>	<u>\$ 2,074,557</u>

**BOROUGH OF NEW MILFORD**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>REVENUE AND OTHER CREDITS TO INCOME</b>			
Fund Balance Utilized	A-2	\$ 125,200	\$ 331,500
Miscellaneous Revenue Anticipated	A-2	2,805,316	2,832,469
Receipts from Delinquent Taxes	A-2	517,086	391,250
Receipts from Current Taxes	A-2	46,236,569	44,559,574
Non-Budget Revenue	A-2	87,922	148,183
Other Credits to Income			
Unexpended Balance of Appropriation Reserves	A-18	312,896	144,759
Interfunds and Reserves Returned	A	<u>3,159</u>	<u>8,928</u>
 Total Income		 <u>50,088,148</u>	 <u>48,416,663</u>
 <b>EXPENDITURES AND OTHER DEBITS</b>			
Budget Appropriations			
Operations			
Salaries and Wages	A-3	7,295,249	7,122,997
Other Expenses	A-3	7,878,538	8,232,637
Capital Improvements	A-3	46,500	42,500
Debt Service	A-3	909,510	1,094,499
Deferred Charges and Statutory Expenditures	A-3	1,628,671	918,938
Local District School Tax	A-24	27,774,251	26,667,423
County Taxes	A-26	4,052,560	3,949,519
Due County for Added and Omitted Taxes	A-26	7,756	5,218
County Open Space Taxes	A-26	49,441	51,140
Municipal Open Space Taxes	A-25	98,096	98,230
Added Taxes - Municipal Open Space Taxes	A-25	131	1
Prior Year Tax Appeals Granted	A-23	12,469	
Grants Receivable Cancelled	A-19	120,352	
Interfunds Created	A	104,522	3,159
Refund of Prior Year Revenue	A-1		3,344
Reserve Created for Prepaid School Taxes	A-1	<u>-</u>	<u>110,399</u>
 Total Expenditures and Other Debits		 <u>49,978,046</u>	 <u>48,300,004</u>
 Excess in Revenue		 110,102	 116,659

**BOROUGH OF NEW MILFORD**  
**COMPARATIVE STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCE -**  
**REGULATORY BASIS - CURRENT FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Excess in Revenue (Carried Forward)	A-1	\$ 110,102	\$ 116,659
Adjustments to Income before Fund Balance: Expenditures Included Above Which are by Statute Deferred Charges to Budget of Succeeding Year	A-1	<u>127,400</u>	<u>-</u>
Statutory Excess to Fund Balance		237,502	116,659
Fund Balance, January 1	A	<u>335,695</u>	<u>550,536</u>
		573,197	667,195
Decreased by: Utilization as Anticipated Revenue	A-1	<u>125,200</u>	<u>331,500</u>
Fund Balance, December 31	A	<u>\$ 447,997</u>	<u>\$ 335,695</u>

**BOROUGH OF NEW MILFORD  
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Reference</u>	2011 <u>Anticipated Budget</u>	<u>Added by NJS 40A:4-87</u>	<u>Realized in 2011</u>	<u>Excess or (Deficit)</u>
Fund Balance Anticipated	A-1	\$ 125,200	-	\$ 125,200	-
Miscellaneous Revenues					
Licenses					
Alcoholic Beverages	A-12	9,700		9,700	
Other	A-12	6,600		14,552	\$ 7,952
Fees and Permits					
Other	A-2	21,000		5,309	(15,691)
Fines and Costs - Municipal Court	A-12	136,900		167,235	30,335
Interest and Costs on Taxes	A-12	86,800		115,247	28,447
Interest on Investments and Deposits	A-12	9,500		1,243	(8,257)
Fire Safety Act Fees	A-12	8,600		8,973	373
Recreation Fees	A-12	57,300		43,055	(14,245)
Consolidated Municipal Property Tax Relief	A-12	101,002		101,002	
Energy Receipts Tax	A-12	1,514,076		1,514,076	
Uniform Construction Code Fees	A-12	156,000		157,530	1,530
State and Federal Revenues Offset					
With Appropriations					
Recycling Tonnage Grant	A-19	38,643		38,643	
Body Armor Replacement	A-19	2,944	\$ 6,213	9,157	
NJ Community Stewardship Incentive	A-19		7,000	7,000	
Title III	A-19	20,680		20,680	
Clean Communities Program	A-19	25,171		25,171	
Other Special Items:					
Cable TV Franchise Fees	A-12	180,613		180,613	
General Capital Fund Surplus	C-1	52,656		52,656	
Life Hazard Use Fees	A-12	9,600		11,323	1,723
Recycling Revenue	A-12	99,000		139,987	40,987
Cell Tower Rent -Gaelic Communications	A-12	54,258		71,765	17,507
Reserve for Prepaid School Taxes	A-11	110,399	-	110,399	-
	A-1	<u>2,701,442</u>	<u>13,213</u>	<u>2,805,316</u>	<u>90,661</u>
Receipts from Delinquent Taxes	A-9	<u>512,000</u>	-	<u>517,086</u>	<u>5,086</u>
Amount to be Raised by Taxes for Support of Municipal Budget Local Tax for					
Municipal Purposes	A-2	14,153,416		14,128,441	(24,975)
Minimum Library Tax	A-2	659,013	-	659,013	-
		<u>14,812,429</u>	<u>-</u>	<u>14,787,454</u>	<u>(24,975)</u>
Budget Totals		<u>\$ 18,151,071</u>	<u>\$ 13,213</u>	18,235,056	<u>\$ 70,772</u>
Non-Budget Revenue	A-2, A-4			<u>87,922</u>	
				<u>\$ 18,322,978</u>	

**BOROUGH OF NEW MILFORD  
STATEMENT OF REVENUES - REGULATORY BASIS - CURRENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Reference</u>	
<b>ANALYSIS OF REALIZED REVENUES</b>		
Allocation of Current Tax Collections		
Revenue from Collections	A-9	\$ 46,236,569
Allocated to School, County and Special District Taxes	A-24, A-25, A-26	<u>31,982,235</u>
		14,254,334
Add: Appropriation "Reserve for Uncollected Taxes"	A-3	<u>533,120</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u>\$ 14,787,454</u>
<b>Fees and Permits - Other</b>		
Tax Office		\$ 10
Search Companies		308
Gun Permits		94
Photostats		2,751
Fingerprints		210
Xeroxing Fees		163
Swim Club Rent		1,000
Polling Places		100
Towing Permits		600
Specifications		50
Duplicate Tax Bills		<u>23</u>
	A-2, A-12	<u>\$ 5,309</u>
<b>Interest on Investments and Deposits</b>		
Revenue Accounts Receivable	A-12	\$ 1,239
Due from General Capital Fund	C-4	<u>4</u>
	A-2	<u>\$ 1,243</u>
<u>Reference</u>		
<b>Analysis of Non-Budget Revenue</b>		
Miscellaneous Receipts		\$ 32,597
NJ Bureau of Housing		12,161
Bad Check Fees		175
Envir Energy Grant		800
BCUA Rebate Sewer		307
Mid Bergen Rent		3,000
FEMA Reimbursement		34,027
Administrative Fee- Seniors and Veterans		2,989
Statutory Excess - Animal Control Fund		<u>1,866</u>
	A-2	<u>\$ 87,922</u>
<u>Ref.</u>		
Cash Receipts	A-4	\$ 86,056
Amount Due from Animal Control Trust Fund	B-19	<u>1,866</u>
		<u>\$ 87,922</u>



**BOROUGH OF NEW MILFORD**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>2011 Appropriated</u>		<u>2011 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - WITHIN "CAPS"</b>					
<b>GENERAL GOVERNMENT</b>					
General Administration					
Salaries and Wages	\$ 25,000	\$ 25,000	\$ 21,635	\$ 3,365	
Mayor and Council					
Salaries and Wages	14,500	14,500	14,208	292	
Other Expenses	7,500	7,500	7,417	83	
Municipal Clerk					
Salaries and Wages	203,464	208,464	206,117	2,347	
Other Expenses	96,700	93,700	85,689	8,011	
Financial Administration					
Other Expenses	16,125	23,825	20,199	3,626	
Audit Services					
Other Expenses	37,500	37,500	37,500	-	
Collection of Taxes					
Salaries and Wages	211,518	247,518	243,983	3,535	
Other Expenses	25,453	25,453	19,944	5,509	
Assessment of Taxes					
Salaries and Wages	46,442	47,442	46,691	751	
Other Expenses	13,120	14,120	13,347	773	
Legal Services and Costs					
Legal Serv & Costs	86,000	86,000	64,390	21,610	
Engineering Services and Costs					
Other Expenses	7,000	13,500	8,824	4,676	
<b>LAND USE ADMINISTRATION</b>					
Planning Board					
Salaries and Wages	5,000	5,000	2,245	2,755	
Other Expenses	7,070	7,070	4,338	2,732	
Zoning Board of Adjustment					
Other Expenses	8,723	8,723	2,470	6,253	
<b>INSURANCE</b>					
Liability	50,000	50,000	37,574	12,426	
Liability - Bergen Joint Insurance Fund	261,900	261,900	261,900	-	
Workers Compensation -BJIF	267,421	267,421	267,420	1	
Employee Group Insurance	2,032,710	1,833,435	1,829,620	3,815	
Health Benefit Waiver	18,150	18,150	14,555	3,595	
<b>PUBLIC SAFETY</b>					
Police					
Salaries and Wages	4,505,200	4,511,700	4,356,056	155,644	
Other Expenses	227,300	227,450	187,067	40,383	
Fire					
Salaries and Wages	2,900	2,900	2,050	850	
Other Expenses	92,500	102,500	97,453	5,047	
First Aid Organization	26,000	26,000	23,262	2,738	
Holy Name Hospital	10,000	10,000	10,000	-	

**BOROUGH OF NEW MILFORD**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(Continued)**

	<u>2011 Appropriated</u>		<u>2011 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - WITHIN "CAPS" (Cont'd)</b>					
<b>PUBLIC SAFETY (Continued)</b>					
Fire Official					
Salaries and Wages	\$ 14,100	\$ 14,100	\$ 13,973	\$ 127	
Other Expenses	1,200	2,000	1,410	590	
Emergency Management Services					
Other Expenses	6,245	6,245	2,580	3,665	
<b>PUBLIC WORKS</b>					
Road Repairs and Maintenance					
Salaries and Wages	1,517,984	1,540,184	1,468,307	71,877	
Other Expenses	200,000	269,200	193,749	75,451	
Garbage and Trash Removal					
Other Expenses	844,500	932,000	853,591	78,409	
Recycling					
Salaries and Wages	48,247	48,247	47,888	359	
Other Expenses	368,000	371,500	327,641	43,859	
Public Buildings and Grounds					
Salaries and Wages	85,164	86,664	85,693	971	
Other Expenses	58,279	58,279	55,433	2,846	
Vehicle Maintenance					
Other Expenses	27,000	27,000	24,883	2,117	
<b>HEALTH &amp; HUMAN SERVICES</b>					
Board of Health					
Salaries and Wages	100,741	105,741	103,637	2,104	
Other Expenses	60,110	61,010	60,611	399	
New Milford Blood Bank					
Other Expenses	50	50		50	
Environmental Committee					
Salaries and Wages	650	750	630	120	
Other Expenses	400	400	340	60	
Animal Control Services					
Other Expenses	26,076	26,076	26,076		
<b>PARK AND RECREATION</b>					
Recreation Services and Programs					
Salaries and Wages	71,890	71,890	69,530	2,360	
Other Expenses	75,000	75,000	58,386	16,614	
Historical Commission					
Other Expenses	1,000	1,000	914	86	
Shade Tree Committee					
Other Expenses	2,600	2,600	745	1,855	
Senior Citizens' Program					
Salaries and Wages	101,100	102,100	100,346	1,754	
Other Expenses	24,355	24,355	13,236	11,119	

**BOROUGH OF NEW MILFORD**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(Continued)**

	<u>2011 Appropriated</u>		<u>2011 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	\$ 144,351	\$ 131,951	\$ 124,610	\$ 7,341	
Other Expenses	10,200	10,200	8,915	1,285	
Rent Leveling Board					
Salaries and Wages	600	600	550	50	
Other Expenses	2,500	2,500	2,500		
UTILITY EXPENSES AND BULK PURCHASES					
Utilities					
Electricity	140,000	205,000	183,968	21,032	
Street Lighting	125,000	100,950	68,151	32,799	
Telephone	68,000	68,000	57,473	10,527	
Water	27,000	31,000	25,211	5,789	
Gas and Oil	125,000	143,500	141,627	1,873	
Fire Hydrants	175,752	175,752	131,814	43,938	
OTHER COMMON OPERATING FUNCTIONS					
(UNCLASSIFIED)					
Celebration of Events					
Other Expenses	3,939	4,364	4,096	268	
Municipal Court					
Salaries and Wages	116,498	126,498	125,090	1,408	
Other Expenses	8,018	8,018	8,018		
Public Defender (P.L. 1977, C. 256)					
Salaries and Wages	4,000	4,000	4,000	-	-
Total Operations Within "CAPS"	<u>12,890,745</u>	<u>13,015,495</u>	<u>12,281,576</u>	<u>733,919</u>	<u>-</u>
Detail:					
Salaries and Wages	7,219,349	7,295,249	7,037,239	258,010	-
Other Expenses	5,671,396	5,720,246	5,244,337	475,909	-
Deferred Charges and Statutory Expenditures - Municipal Within "CAPS"					
Deferred Charges					
Overexpenditure of Appropriation Reserves	69,022	69,022	69,022		
Statutory Charges					
Social Security System (O.A.S.I.)	328,000	330,000	324,857	5,143	
Unemployment	31,000	31,000	31,000		
Public Employees Retirement System	326,867	326,867	326,867		
Police and Fireman's Retirement System	865,832	865,832	865,832		
Defined Contribution Retirement Program	600	950	907	43	-
Total Deferred Charges & Statutory Expenditures - Municipal Within "CAPS"	<u>1,621,321</u>	<u>1,623,671</u>	<u>1,618,485</u>	<u>5,186</u>	<u>-</u>
Total General Appropriations for Municipal Purposes Within "CAPS"	<u>14,512,066</u>	<u>14,639,166</u>	<u>13,900,061</u>	<u>739,105</u>	<u>-</u>

The Accompanying Notes are an Integral Part of these Financial Statements

**BOROUGH OF NEW MILFORD**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(Continued)**

	<u>2011 Appropriated</u>		<u>2011 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
<b>OPERATIONS - EXCLUDED FROM "CAPS"</b>					
Bergen County Utilities Authority - Service Charges - Contractual	\$ 1,234,072	\$ 1,234,072	\$ 1,234,072		
<b>EDUCATIONAL FUNCTIONS</b>					
Maintenance of Free Public Library (Ch. 82, 541 P.L. 85)	680,935	680,935	680,872	\$ 63	
LOSAP	75,000	75,000		75,000	
Health Benefits	67,634	67,634	-	67,634	-
<b>Total Other Operations Excluded from "CAPS"</b>	<u>2,057,641</u>	<u>2,057,641</u>	<u>1,914,944</u>	<u>142,697</u>	<u>-</u>
<b>Public and Private Programs Offset by Revenues</b>					
Body Armor Replacement Program	2,944	9,157	8,794	363	
Recycling Tonnage Grant	38,643	38,643		38,643	
Clean Communities Program	25,171	25,171	20,625	4,546	
NJ Community Stewardship Incentive Title III	20,680	7,000 20,680	7,000 20,680	-	-
<b>Total Public and Private Programs Offset by Revenues</b>	<u>87,438</u>	<u>100,651</u>	<u>57,099</u>	<u>43,552</u>	<u>-</u>
<b>Total Operations Excluded from "CAPS"</b>	<u>2,145,079</u>	<u>2,158,292</u>	<u>1,972,043</u>	<u>186,249</u>	<u>-</u>
<b>Detail:</b>					
Other Expenses	<u>2,145,079</u>	<u>2,158,292</u>	<u>1,972,043</u>	<u>186,249</u>	<u>-</u>
<b>CAPITAL IMPROVEMENTS</b>					
Capital Improvement Fund	46,500	46,500	46,500	-	-
<b>Total Capital Improvements</b>	<u>46,500</u>	<u>46,500</u>	<u>46,500</u>	<u>-</u>	<u>-</u>
<b>MUNICIPAL DEBT SERVICE</b>					
Payment of Bond Principal	660,000	660,000	660,000		
Interest on Notes	22,000	22,300	22,292		\$ 8
Interest on Bonds	174,100	174,100	174,012		88
Loan Repayments for Principal and Interest Bergen County Improvement Authority	43,000	43,000	43,000		
Principal	9,788	9,788	9,788		
Interest	418	418	418	-	-
<b>Total Municipal Debt Service</b>	<u>909,306</u>	<u>909,606</u>	<u>909,510</u>	<u>-</u>	<u>96</u>
<b>DEFERRED CHARGES MUNICIPAL - EXCLUDED FROM "CAPS"</b>					
Special Emergency Authorizations-5 Years (N.J.S. 40A:4-55)	5,000	5,000	5,000	-	-
<b>Total Deferred Charges - Municipal Excluded from "CAPS"</b>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>-</u>

**BOROUGH OF NEW MILFORD**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(Continued)

	<u>2011 Appropriated</u>		<u>2011 Expended</u>		
	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Cancelled</u>
Total General Appropriations - Excluded from "CAPS"	\$ 3,105,885	\$ 3,119,398	\$ 2,933,053	\$ 186,249	\$ 96
Subtotal General Appropriations	17,617,951	17,758,564	16,833,114	925,354	96
Reserve for Uncollected Taxes	<u>533,120</u>	<u>533,120</u>	<u>533,120</u>	-	-
Total General Appropriations	<u>\$ 18,151,071</u>	<u>\$ 18,291,684</u>	<u>\$ 17,366,234</u>	<u>\$ 925,354</u>	<u>\$ 96</u>
Reference	A-2		A		

**BOROUGH OF NEW MILFORD**  
**STATEMENT OF EXPENDITURES - REGULATORY BASIS**  
**CURRENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(Continued)**

	<u>Reference</u>	Budget After <u>Modification</u>	<u>Paid or Charged</u>
Budget as Adopted	A-2	\$ 18,151,071	
Added by N.J.S. 40A:4-87	A-2	13,213	
Added by Emergency	A-13	<u>127,400</u>	
		<u>\$ 18,291,684</u>	
Cash Disbursed	A-4		\$ 16,865,459
Less: Budget Offsets	A-4		<u>476,670</u>
			16,388,789
Reserve for Uncollected Taxes	A-2		533,120
Deferred Charges			
Special Emergency Authorizations	A-14		5,000
Overexpenditure of Appropriation Reserves	A-15		69,022
Encumbrances Payable	A-22		<u>370,303</u>
			<u>\$ 17,366,234</u>

**BOROUGH OF NEW MILFORD  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
TRUST FUNDS  
AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Animal Control Trust Fund			
Cash	B-3	\$ <u>16,901</u>	\$ <u>13,076</u>
Other Trust Fund			
Cash	B-3	529,943	255,121
Due from Current Fund	B-6	<u>131</u>	<u>-</u>
		<u>530,074</u>	<u>255,121</u>
Unemployment Compensation Insurance Trust Fund			
Cash	B-3	<u>8,019</u>	<u>10</u>
Recreation Trust Fund			
Cash	B-3	<u>1,180</u>	<u>3,541</u>
Medical Claims Trust Fund			
Cash	B-3	<u>53,753</u>	<u>112,851</u>
Community Development Block Grant Trust Fund			
Cash	B-3	<u>470</u>	<u>111,435</u>
Open Space Trust Fund			
Cash	B-3	508,179	410,530
Open Space Taxes Receivable	B-8	131	
Due from Current Fund	B-7	<u>1</u>	<u>1</u>
		<u>508,311</u>	<u>410,531</u>
Length of Service Award Program Trust Fund (Unaudited)			
Investments	B	475,909	615,544
Due from Other Trust Fund	B-20	77,804	
Contribution Receivable	B	<u>43,593</u>	<u>62,885</u>
		<u>597,306</u>	<u>678,429</u>
<b>Total Assets</b>		<u>\$ 1,716,014</u>	<u>\$ 1,584,994</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, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>LIABILITIES AND RESERVES</b>			
Animal Control Trust Fund			
Due to State of New Jersey	B-5	\$ 26	\$ 16
Reserve for Animal Control Fund Expenditures	B-4	15,009	13,060
Due to Current Fund	B-19	<u>1,866</u>	<u>-</u>
		<u>16,901</u>	<u>13,076</u>
Other Trust Fund			
Due to Current Fund	B-6		3,159
Miscellaneous Reserves	B-9	452,270	251,962
Due to LOSAP Trust Fund	B-20	<u>77,804</u>	<u>-</u>
		<u>530,074</u>	<u>255,121</u>
Unemployment Compensation Insurance Trust Fund			
Reserve for Unemployment Compensation Insurance	B-14	4,040	10
Due to the State of New Jersey	B-15	<u>3,979</u>	<u>-</u>
		<u>8,019</u>	<u>10</u>
Recreation Trust Fund			
Reserve for Recreation Expenditures	B-10	<u>1,180</u>	<u>3,541</u>
Medical Claims Trust Fund			
Reserve for Medical Claims Expenditures	B-11	<u>53,753</u>	<u>112,851</u>
Community Development Block Grant Trust Fund			
Due to General Capital Fund	B-16	462	111,427
Due to County of Bergen	B-13	7	7
Reserve for Community Development Expenditures	B-12	<u>1</u>	<u>1</u>
		<u>470</u>	<u>111,435</u>
Open Space Trust Fund			
Due to General Capital Fund	B-18	312,181	312,181
Reserve for Open Space Expenditures	B-17	<u>196,130</u>	<u>98,350</u>
		<u>508,311</u>	<u>410,531</u>
Reserve for LOSAP	B	<u>597,306</u>	<u>678,429</u>
<b>Total Liabilities and Reserves</b>		<u><u>\$ 1,716,014</u></u>	<u><u>\$ 1,584,994</u></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, 2011**

	<u>Reference</u>	<u>2011 Anticipated</u>	<u>2011 Realized</u>	<u>Excess or (Deficit)</u>
Amount to be Raised by Taxation	B-17	\$ 98,096	\$ 98,227	\$ 131
		<u>\$ 98,096</u>	<u>98,227</u>	<u>\$ 131</u>
Non-Budget Revenue	B-17		<u>453</u>	
			<u>\$ 98,680</u>	
Analysis of Non-Budget Revenue				
Interest on Investments and Deposits			<u>\$ 453</u>	

**STATEMENT OF EXPENDITURES - REGULATORY BASIS - OPEN SPACE TRUST FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Reference</u>	<u>Budget (Memorandum)</u>	<u>Paid or Charged</u>	<u>Excess or (Deficit)</u>
Development of Lands for Recreation and Conservation	B-17	\$ 98,096	\$ 900	\$ 97,196
Reserve for Future Use		<u>\$ 98,096</u>	<u>\$ 900</u>	<u>\$ 97,196</u>
	<u>Reference</u>		B-17	

**BOROUGH OF NEW MILFORD**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**AS OF DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Cash	C-2,C-3	\$ 436,557	\$ 633,158
Deferred Charges to Future Taxation			
Funded	C-5	6,465,361	7,156,039
Unfunded	C-6	3,273,374	2,845,083
Grants and Contributions Receivable	C-12	489,488	672,628
EIT Loan Receivable	C-16	841,784	1,191,250
Due from Open Space Trust Fund	B-18	312,181	312,181
Due from Community Development Trust Fund	B-16	<u>462</u>	<u>111,427</u>
 Total Assets		 <u>\$ 11,819,207</u>	 <u>\$ 12,921,766</u>
 <b>LIABILITIES, RESERVES AND FUND BALANCE</b>			
General Serial Bonds	C-10	\$ 5,295,000	\$ 5,955,000
Bond Anticipation Notes	C-18	2,954,575	2,112,840
EIT Loans Payable	C-15	1,170,360	1,191,250
Capital Leases Payable	C-17	-	9,788
Contracts Payable	C-8	487,332	-
Due to Current Fund	C-4	102,656	-
Improvement Authorizations			
Funded	C-9	505,489	1,631,028
Unfunded	C-9	908,847	1,452,868
Capital Improvement Fund	C-7	10,700	1,200
Reserve for Legislative Grant	C-11	30,000	30,000
Reserve for Payment of Debt	C-13	8,749	119,714
Reserve for Grants Receivable	C-14	315,988	365,447
Fund Balance	C-1	<u>29,511</u>	<u>52,631</u>
 Total Liabilities, Reserves and Fund Balance		 <u>\$ 11,819,207</u>	 <u>\$ 12,921,766</u>

There were bonds and notes authorized but not issued on December 31, 2011 and 2010 in the amount of \$575,357 and \$732,243 respectively (Exhibit C-19).

**BOROUGH OF NEW MILFORD**  
**COMPARATIVE STATEMENTS OF CHANGES IN FUND BALANCE - REGULATORY BASIS**  
**GENERAL CAPITAL FUND**  
**FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>Reference</u>	<u>2011</u>	<u>2010</u>
Balance, January 1	C	\$ 52,631	\$ 13,121
Increased by:			
Due from Current Fund - Premium on Notes	C-4	386	
Cancelled Improvement Authorizations	C-9	<u>162,831</u>	<u>39,510</u>
		<u>163,217</u>	<u>39,510</u>
		215,848	52,631
Decreased by:			
Grants Receivable Balances Cancelled	C-12	133,681	-
Utilized as Revenue in Current Fund	C-4	<u>52,656</u>	<u>-</u>
		<u>186,337</u>	<u>-</u>
Balance, December 31	C	<u>\$ 29,511</u>	<u>\$ 52,631</u>

**BOROUGH OF NEW MILFORD  
COMPARATIVE BALANCE SHEETS - REGULATORY BASIS  
PUBLIC ASSISTANCE FUND  
AS OF DECEMBER 31, 2011 AND 2010**

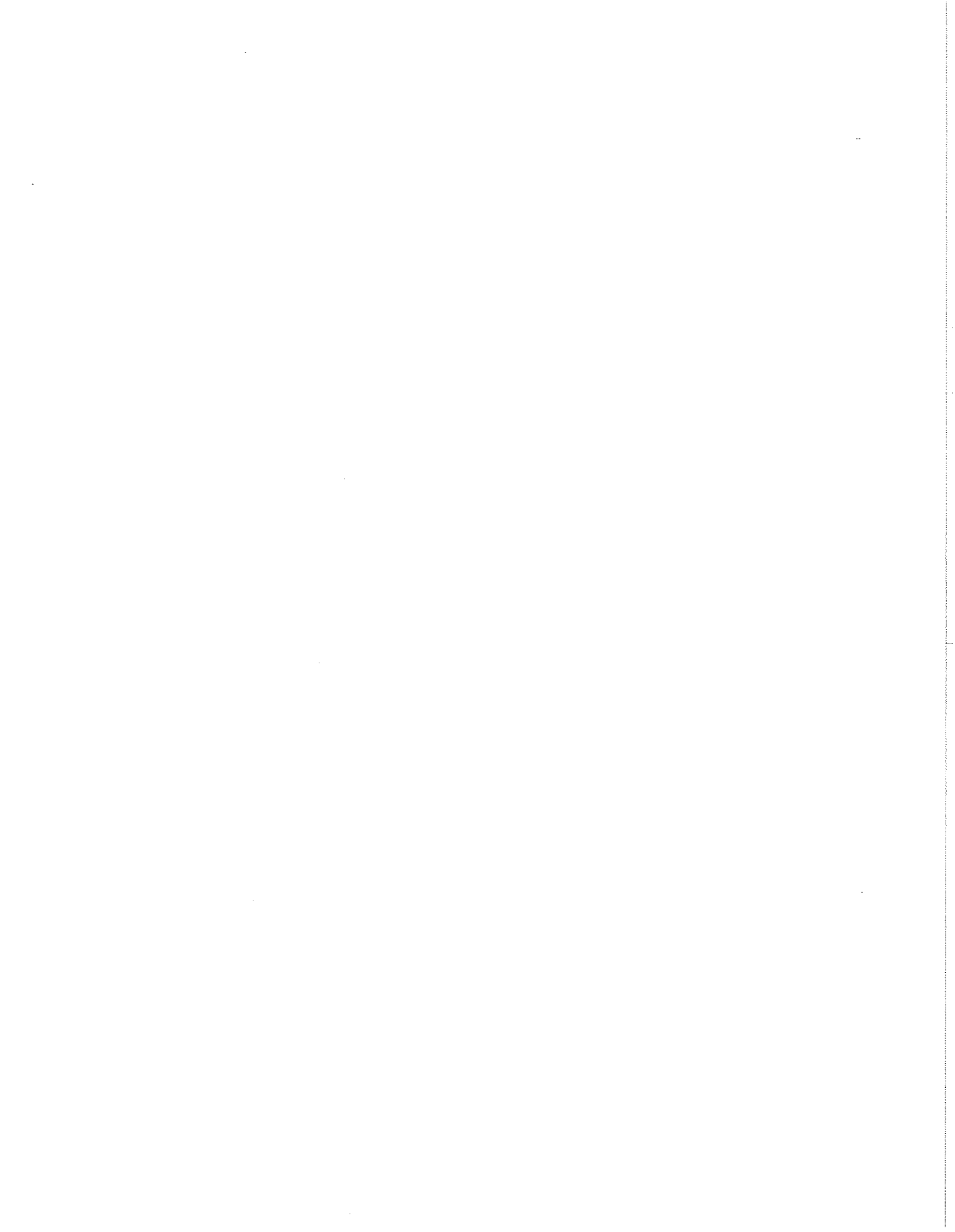
	<u>Reference</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Cash	D-1	\$ <u>11,144</u>	\$ <u>10,920</u>
<b>RESERVES</b>			
Reserve for Public Assistance	D-2	\$ <u>11,144</u>	\$ <u>10,920</u>

**BOROUGH OF NEW MILFORD**  
**COMPARATIVE BALANCE SHEETS - REGULATORY BASIS**  
**GENERAL FIXED ASSETS ACCOUNT GROUP**  
**AS OF DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
General Fixed Assets:		
Land	\$ 35,224,300	\$ 35,224,300
Buildings and Building Improvements	4,646,000	4,618,000
Machinery and Equipment	<u>4,994,561</u>	<u>4,755,276</u>
Total General Fixed Assets	<u>\$ 44,864,861</u>	<u>\$ 44,597,576</u>
Investment in General Fixed Assets	<u>\$ 44,864,861</u>	<u>\$ 44,597,576</u>

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**NOTES TO FINANCIAL STATEMENTS**





**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

**A. 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 Corps, which are considered component units under GAAP. Complete financial statements of the above component units can be obtained by contacting the Treasurer of the respective entity.

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

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. 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, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus, Basis of Accounting and Basis of 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 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 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 Trust 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.

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.

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 11<sup>th</sup> 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).

**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.

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**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 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  
Public Assistance Trust Funds

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 2011 and 2010 the Borough Council increased the original budget by \$140,613 and \$3,995. The increases were funded by additional aid allotted to the Borough and the increase in 2011 was also attributable to an emergency resolution for \$127,400. In addition, the governing body approved several budget transfers during 2011 and 2010.

**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, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items in the current fund, except for prepaid debt service, are offset by a reserve, created by a charge to operations. GAAP does not require the establishment of a reserve for prepaid items.

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**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 \$1,000 and an estimated useful life in excess of two years.

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

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.

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

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

**Reclassifications** - Certain reclassifications have been made to the December 31, 2010 balances to conform to the December 31, 2011 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.

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basic Financial Statements**

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 financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from reporting requirements under GAAP.

**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 are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2011 and 2010, the book value of the Borough's deposits were \$6,260,180 and \$2,761,785 and bank and brokerage firm balances of the Borough's deposits amounted to \$6,454,996 and \$2,793,563, respectively. The Borough's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>	
	<u>2011</u>	<u>2010</u>
Insured	\$ 6,443,414	\$ 2,793,563
Uninsured and Uncollateralized	11,582	-
	<u>\$ 6,454,996</u>	<u>\$ 2,793,563</u>

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 2 DEPOSITS AND INVESTMENTS (Continued)**

**Deposits (Continued)**

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Borough does not have a formal policy for custodial credit risk. As of December 31, 2011 and 2010, the Borough’s bank balances of \$11,582 and \$-0- were exposed to custodial credit risk as follows:

	<u>2011</u>	<u>2010</u>
Uninsured and uncollateralized	\$ <u>11,582</u>	\$ <u>-</u>

**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, 2011 and 2010, the Borough had the following investments:

	Reported Amount/ <u>Fair Value</u>
<b><u>2011</u></b>	
Investments Not Subject to Categorization:	
Length of Service Award Program	\$ <u>475,909</u>
<b><u>2010</u></b>	
Investments Not Subject to Categorization:	
Length of Service Award Program	\$ <u>615,544</u>



**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 2 DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 40A:5-15.1). The Borough does not have an investment policy that would further limit its investment choices.

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

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

**NOTE 3 TAXES RECEIVABLE**

Receivables at December 31, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
<u>Current</u>		
Property Taxes	\$ 488,794	\$ 526,266
Tax Title Liens	<u>10,353</u>	<u>8,958</u>
	<u>\$ 499,147</u>	<u>\$ 535,224</u>

In 2011 and 2010, the Borough collected \$517,086 and \$391,250 from delinquent taxes, which represented 97% and 95% of the prior year delinquent taxes receivable balance.

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**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 the general capital fund. 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>2011</u>	<u>2010</u>
Issued		
General		
Bonds, Notes, and Loans	\$ 9,419,935	\$ 9,259,090
Authorized But Not Issued		
General		
Bonds and Notes	<u>575,357</u>	<u>732,243</u>
Net Bonds and Notes Issued and Authorized But Not Issued	<u>\$ 9,995,292</u>	<u>\$ 9,991,333</u>

**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 0.50% and 0.48% at December 31, 2011 and 2010, respectively.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2011</u></b>			
General Debt	\$ 9,995,292	\$ 42,721	\$ 9,952,571
School Debt	<u>3,775,000</u>	<u>3,775,000</u>	<u>-</u>
Total	<u>\$ 13,770,292</u>	<u>\$ 3,817,721</u>	<u>\$ 9,952,571</u>
	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
<b><u>2010</u></b>			
General Debt	\$ 9,991,333	\$ 119,714	\$ 9,871,619
School Debt	<u>4,130,000</u>	<u>4,130,000</u>	<u>-</u>
Total	<u>\$ 14,121,333</u>	<u>\$ 4,249,714</u>	<u>\$ 9,871,619</u>

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**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>2011</u>	<u>2010</u>
3-1/2% of Equalized Valuation Basis (Municipal) Net Debt	\$ 69,455,556 <u>9,952,571</u>	\$ 71,852,194 <u>9,871,619</u>
Remaining Borrowing Power	<u>\$ 59,502,985</u>	<u>\$ 61,980,575</u>

**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>2011</u>	<u>2010</u>
\$3,085,000, 2005 Bonds, due in annual installments of \$400,000 to \$445,000 February 1, 2015, interest at 3.50%	\$ 1,685,000	\$ 2,060,000
\$4,160,000, 2009 Bonds, due in annual installments of \$300,000 to \$475,000 through May 1, 2021, interest at 2.00% to 3.50%	<u>3,610,000</u>	<u>3,895,000</u>
	<u>\$ 5,295,000</u>	<u>\$ 5,955,000</u>

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**General Intergovernmental Loans Payable**

The Borough has entered into a loan agreement with the New Jersey Environmental Infrastructure Trust 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:

**General Intergovernmental Loans**

	<u>2011</u>	<u>2010</u>
\$575,000, 2010 Trust Loan, due in annual installments of \$20,000 to \$45,000 through August 1, 2030, interest at 5.00%	\$ 575,000	\$ 575,000
\$616,250, 2010 Fund Loan, due in semi-annual installments of \$10,445 to \$20,890 through August 1, 2030, no interest	<u>595,360</u>	<u>616,250</u>
Total General Capital Loans	<u>\$ 1,170,360</u>	<u>\$ 1,191,250</u>

The Borough's principal and interest for long-term debt issued and outstanding as of December 31, 2011 is as follows:

Calendar Year	<u>General</u>		<u>Loans</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2012	\$ 700,000	\$ 154,600	\$ 51,335	\$ 28,750	\$ 934,685
2013	720,000	134,288	51,335	27,750	933,373
2014	745,000	112,938	51,335	26,750	936,023
2015	790,000	89,368	51,335	25,750	956,453
2016	235,000	73,313	56,335	24,750	389,398
2017-2021	2,105,000	188,256	291,674	104,750	2,689,680
2022-2026			321,674	68,000	389,674
2027-2030	<u>-</u>	<u>-</u>	<u>295,337</u>	<u>21,750</u>	<u>317,087</u>
Total	<u>\$ 5,295,000</u>	<u>\$ 752,763</u>	<u>\$ 1,170,360</u>	<u>\$ 328,250</u>	<u>\$ 7,546,373</u>

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Changes in Long-Term Municipal Debt**

The Borough's long-term capital debt activity for the years 2011 and 2010 were as follows:

	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>	Due Within <u>One Year</u>
<b><u>2011</u></b>					
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>
	<u>\$ 7,146,250</u>	<u>\$ -</u>	<u>\$ 680,890</u>	<u>\$ 6,465,360</u>	<u>\$ 751,335</u>

	Balance December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>	Due Within <u>One Year</u>
<b><u>2010</u></b>					
General Capital Fund					
Bonds Payable	\$ 6,748,000		\$ 793,000	\$ 5,955,000	\$ 660,000
Loans Payable	<u>-</u>	<u>\$ 1,191,250</u>	<u>-</u>	<u>1,191,250</u>	<u>20,890</u>
	<u>\$ 6,748,000</u>	<u>\$ 1,191,250</u>	<u>\$ 793,000</u>	<u>\$ 7,146,250</u>	<u>\$ 680,890</u>

**Short-Term Debt**

The Borough's short-term capital debt activity for the years 2011 and 2010 was as follows:

	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>
<b><u>2011</u></b>				
Bond Anticipation Notes				
General Capital Fund	<u>\$ 2,112,840</u>	<u>\$ 2,954,575</u>	<u>\$ 2,112,840</u>	<u>\$ 2,954,575</u>

	Balance December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>
<b><u>2010</u></b>				
Bond Anticipation Notes				
General Capital Fund	<u>\$ 620,800</u>	<u>\$ 2,112,840</u>	<u>\$ 620,800</u>	<u>\$ 2,112,840</u>

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 4 MUNICIPAL DEBT (Continued)**

**Short-Term Debt (Continued)**

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 2011 and 2010 as follows:

	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2011</u>
<b><u>2011</u></b>				
Emergency Notes		\$ 127,400		\$ 127,400
Tax Anticipation Notes	-	2,500,000	-	2,500,000
	<u>\$ -</u>	<u>\$ 2,627,400</u>	<u>\$ -</u>	<u>\$ 2,627,400</u>
	Balance December 31, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	Balance, December 31, <u>2010</u>
<b><u>2010</u></b>				
Tax Anticipation Notes	\$ 2,500,000	\$ -	\$ 2,500,000	\$ -

**NOTE 5 FIXED ASSETS**

**General Fixed Assets**

The following is a summary of changes in the general fixed assets account group for the years 2011 and 2010.

	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2011</u>
<b><u>2011</u></b>				
Land	\$ 35,224,300			\$ 35,224,300
Buildings and Building Improvements	4,618,000	\$ 28,000		4,646,000
Machinery and Equipment	4,755,276	330,335	\$ 91,050	4,994,561
	<u>\$ 44,597,576</u>	<u>\$ 358,335</u>	<u>\$ 91,050</u>	<u>\$ 44,864,861</u>

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 5 FIXED ASSETS (Continued)**

**General Fixed Assets (Continued)**

	Balance December 31, <u>2009</u>	<u>Additions</u>	<u>Retirements</u>	Balance, December 31, <u>2010</u>
<b><u>2010</u></b>				
Land	\$ 35,224,300			\$ 35,224,300
Buildings and Building Improvements	4,605,900	\$ 12,100		4,618,000
Machinery and Equipment	<u>4,453,424</u>	<u>377,972</u>	<u>\$ 76,120</u>	<u>4,755,276</u>
	<u>\$ 44,283,624</u>	<u>\$ 390,072</u>	<u>\$ 76,120</u>	<u>\$ 44,597,576</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>2011</u>		<u>2010</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	\$ 104,522	\$ 132	\$ 3,159	\$ 1
Trust Fund:				
Animal Control Trust		1,866		
Other Trust	131			3,159
Open Space Trust	1	312,181	1	312,181
Community Development Trust		462		111,427
General Capital Fund	<u>312,643</u>	<u>102,656</u>	<u>423,608</u>	<u>-</u>
Total	<u>\$ 417,297</u>	<u>\$ 417,297</u>	<u>\$ 426,768</u>	<u>\$ 426,768</u>

**BOROUGH OF NEW MILFORD  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2011 AND 2010**

**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.

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

**NOTE 7 FUND BALANCES APPROPRIATED**

Under the regulatory basis of accounting, fund balances 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>2011</u>	Utilized in Subsequent Year's Budget	Fund Balance December 31, <u>2010</u>	Utilized in Subsequent Year's Budget
Current Fund				
Cash Surplus	\$ 300,619	\$ 130,088	\$ 245,944	\$ 125,200
Non-Cash Surplus	<u>147,378</u>	<u>-</u>	<u>89,751</u>	<u>-</u>
	<u>\$ 447,997</u>	<u>\$ 130,088</u>	<u>\$ 335,695</u>	<u>\$ 125,200</u>



**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 8 DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

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

	<u>Balance</u> <u>December 31,</u>	<u>Subsequent</u> <u>Year Required</u> <u>Budget</u> <u>Appropriation</u>	<u>Balance</u> <u>to Succeeding</u> <u>Years Budgets</u>
<b><u>2011</u></b>			
Current Fund			
Special Emergency Authorizations (40A4:55)	\$ 10,000	\$ 5,000	\$ 5,000
Emergency Authorizations	<u>127,400</u>	<u>127,400</u>	<u>-</u>
	<u>\$ 137,400</u>	<u>\$ 132,400</u>	<u>\$ 5,000</u>
<b><u>2010</u></b>			
Current Fund			
Special Emergency Authorizations (40A4:55)	\$ 15,000	\$ 5,000	\$ 10,000
Overexpenditure of Appropriation Reserves	<u>69,022</u>	<u>69,022</u>	<u>-</u>
	<u>\$ 84,022</u>	<u>\$ 74,022</u>	<u>\$ 10,000</u>

**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 \$3,200,257 and \$3,091,534 at December 31, 2011 and 2010, respectively. These amounts which 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.

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

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 and are considered in the annual actuarial calculation of the required contributions for the system.

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](http://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.

**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.

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Investment Valuation (Continued)**

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.

**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:

- New members of PERS hired on or after June 28, 2011 (Tier 5 members), will need 30 years of creditable service and to attain age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1 percent for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the PERS is 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), will be 60 percent instead of 65 percent of the member's final compensation plus 1 percent for each year of creditable service over 25 years but not to exceed 30 years.
- Active member contribution rates will increase. 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 and PERS Prosecutors Part 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 is suspended until reactivated as permitted by this law.

In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**Funded Status and Funding Progress**

As of July 1, 2010, the most recent actuarial valuation date, the aggregate funded ratio for all the State administered retirement systems, including PERS and PFRS is 70.5 percent with an unfunded actuarial accrued liability of \$36.3 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded systems is 65.2 percent and \$25.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS and PFRS is 78.5 percent and \$10.7 billion, respectively.

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

**BOROUGH OF NEW MILFORD  
 NOTES TO FINANCIAL STATEMENTS  
 YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 10 EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Funded Status and Funding Progress (Continued)**

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, 2010 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 (1) 8.25 percent for investment rate of return for all the retirement systems; and (2) 5.45 percent for projected salary increases for all the retirement systems except PFRS.

**Employer and Employee Pension Contributions**

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan members and employer contributions may be amended by State of New Jersey legislation, with the amount of contributions by the State of New Jersey contingent upon the annual Appropriations Act. As defined, the various retirement systems require employee contributions based on 6.50% for PERS, 8.50% 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, 2011, 2010 and 2009, the Borough, except for the amounts deferred during the year ended December 31, 2009, was required to contribute for normal cost pension contributions, accrued liability pension contributions and non-contributory life insurance premiums the following amounts which equaled the required contributions for each year:

<u>Year Ended</u> <u>December 31</u>	<u>PFRS</u>	<u>PERS</u>	<u>DCRP</u>
2011	\$ 865,832	\$ 326,867	\$ 907
2010	855,745	253,441	540
2009	400,475	102,650	-

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 liability including accrued interest (at 8.25%) at December 31, 2011 and 2010 is \$580,684 and \$536,429, respectively.

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**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.

**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 2011, the Borough contributed \$269,700 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	\$ 646,749
Interest on Net OPEB Obligation	<u>21,511</u>
Total (Annual OPEB Cost (Expense))	668,260
Contributions Made	<u>(269,700)</u>
Increase in Net OPEB Obligation	398,560
Net OPEB Obligation - Beginning of Year	<u>478,020</u>
Net OPEB Obligation - End of Year	<u>\$ 876,580</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 2011, 2010 and 2009 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>
2011	\$ 668,260	40.4%	\$ 876,580
2010	652,447	46.1%	398,560
2009	646,749	80.4%	126,621

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 11 POST-RETIREMENT MEDICAL BENEFITS (Continued)**

**Funded Status and Funding Progress**

As of December 31, 2009, the most recent actuarial valuation date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$8,771,910, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,771,910. The covered payroll (annual payroll of active employees covered by the plan) was \$7,322,129, and the ratio of the UAAL to the covered payroll was 119.8 percent.

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

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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, 2009, 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 12 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. 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, 2011 was 27 years.

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**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, 2011 and 2010 the Borough has available in the Medical Claims Trust Fund \$53,753 and \$112,851, respectively for the payment of these claims.

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

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

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>Township</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2011	\$ 31,000	\$ 9,155	\$ 36,125	\$ 4,040
2010	30,053	9,775	39,828	10
2009	21,043	9,105	30,148	10

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**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 and 2010, the fourth quarter assessments in the amounts of \$136,341 and \$128,264, respectively due in January of the subsequent year are not recorded as an expenditure or liability on the Borough's financial statements. These assessments are funded in the subsequent year's budget.

**Pending Tax Appeals** - Various tax appeal cases were pending in the New Jersey Tax Court at December 31, 2011 and 2010. Amounts claimed have not yet been determined. The Borough is vigorously defending its assessments in each case. Under the accounting principles prescribed by the Division of Local Government Services, Department of community Affairs, State of New Jersey, the Borough does not recognize a liability, if any, until these cases have been adjudicated. The Borough expects such amounts, if any, could be material. Funding of any ultimate liability would be provided for in succeeding years' budget or from fund balance.

**Federal and State Awards** - The Borough participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Borough may be required to reimburse the grantor government. As of December 31, 2011 and 2010, 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, 2011 and 2010, 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 Volunteer Ambulance Corps, come from contributions made solely by the Borough on behalf of those volunteers who meet the criteria of a plan created by the governing body.



**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

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

The Borough of New Milford has contributed \$1,321 and \$1,228 for 2011 and 2010, respectively, for each eligible Volunteer Fire Department member into the Plan. The Borough also contributed \$1,321 and \$1,228 for 2011 and 2010, respectively for each eligible Volunteer Ambulance Corps members 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.

Effective November 1, 2011, Lincoln Financial is the administrator of the plan. Prior to this date, the plan was administered by VALIC. The Borough's practical involvement in administering the plan is essentially limited to verifying the eligibility of each participant and remitting the funds to the plan administrator.

**Vesting and Benefits**

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

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

**Reporting Requirements**

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

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**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>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>	

**NOTE 17 OPERATING LEASES**

The Borough leases police cars under noncancelable operating leases. Lease payments for the years ended December 31, 2011 and 2010 were \$50,436 and \$19,329, respectively. The future minimum lease payments for these leases are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2012	\$ 47,449
2013	<u>31,107</u>
Total	<u>\$ 78,556</u>

**NOTE 18 SUBSEQUENT EVENTS**

**Tax Anticipation Notes**

The Borough has issued \$2,500,000 of tax anticipation note to temporarily finance the Borough's operating expenditures. The Note is dated April 26, 2012 at an interest rate of 0.75% and matures on December 5, 2012.

**BOROUGH OF NEW MILFORD  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

**NOTE 18 SUBSEQUENT EVENTS (Continued)**

**Bond Anticipation Notes**

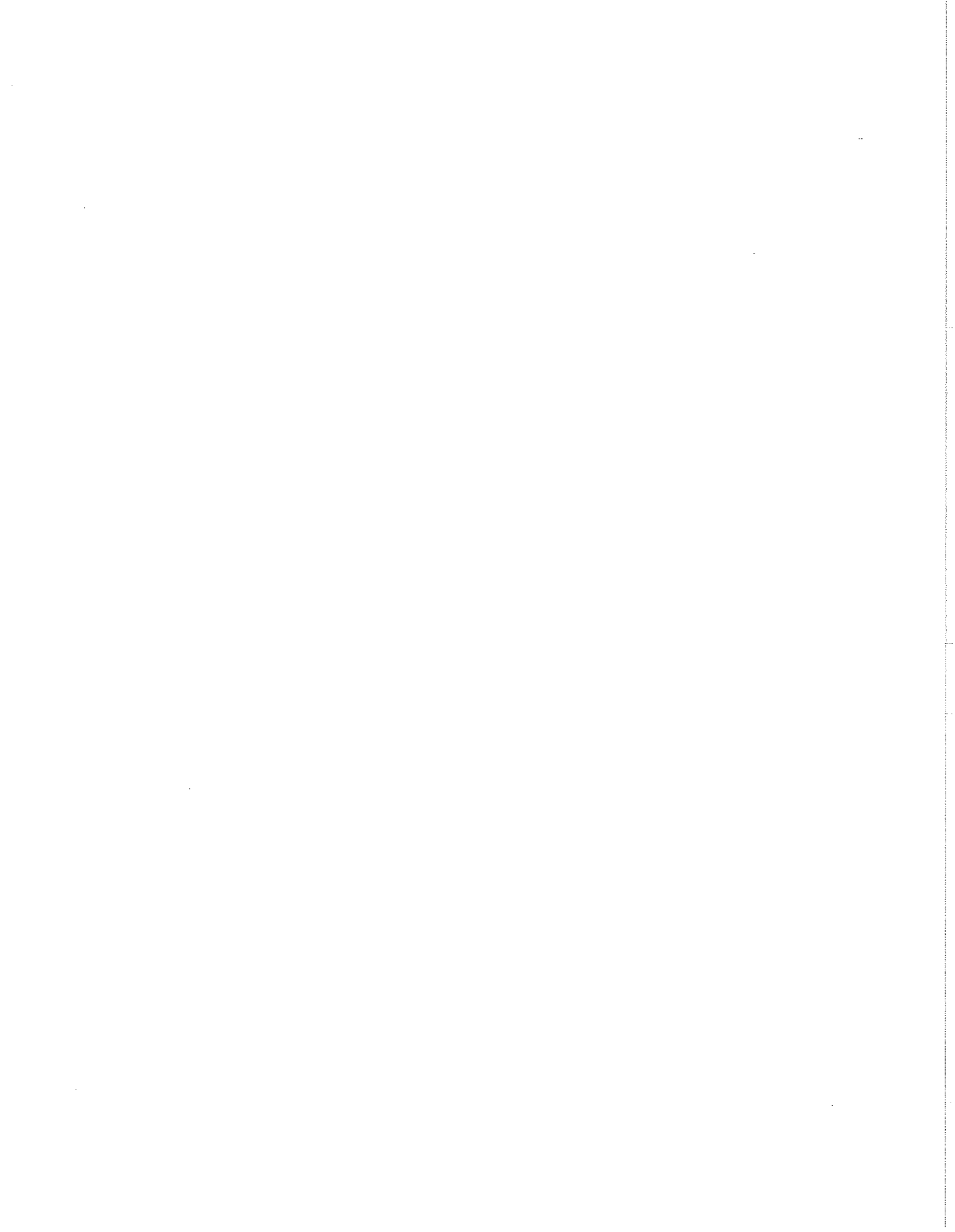
On April 13, 2012 the Borough issued bond anticipation notes in the amount of \$2,773,000 to temporarily finance expenditures related to various capital projects. The Borough has awarded the sale of said notes to Janney Montgomery Scott, LLC at an interest rate of 1.25%. These notes dated April 19, 2012 will mature on April 17, 2013.

**Debt Authorized**

The Borough adopted a bond ordinance authorizing the issuance \$881,000 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.

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**CURRENT FUND**



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

Balance, December 31, 2010		\$	1,210,468
Increased by Receipts:			
Receipts from Other Funds			
General Capital Fund - Interest	\$	4	
General Capital Fund - Other		34,879	
Tax Collector		46,737,594	
Revenue Accounts Receivable		2,426,326	
Non Budget Revenue		86,056	
Due from State of NJ - Veterans' and Senior Citizens' Deductions		149,466	
Budget Offsets		476,670	
Grants Receivable		75,310	
Reserve for Grants and Aid - Unappropriated		57,065	
Miscellaneous Reserves		9,601	
Petty Cash		1,450	
Receipts Due to General Capital Fund		2,027,961	
Receipts Due to Other Trust Fund		3,290	
Emergency Note Payable		127,400	
Tax Anticipation Note Payable		2,500,000	
Reserve for FEMA		<u>27,258</u>	
			<u>54,740,330</u>
			55,950,798
Decreased by Disbursements:			
2011 Budget Appropriations	16,865,459		
2010 Appropriation Reserves	385,560		
Local District School Tax	27,663,852		
Municipal Open Space Taxes	98,096		
County Taxes	4,107,458		
Refund of Tax Overpayments	13,529		
Miscellaneous Reserves	9,195		
Payments Due from General Capital Fund	2,112,840		
Petty Cash	<u>1,450</u>		
			<u>51,257,439</u>
Balance, December 31, 2011		\$	<u>4,693,359</u>

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

Increased by Receipts:		
Revenue Accounts Receivable		\$ 115,280
Taxes Receivable		46,354,314
Tax Overpayments		5,035
Prepaid Taxes		<u>262,965</u>
		<u>46,737,594</u>
Decreased by:		
Payments to Treasurer		<u>\$ 46,737,594</u>

EXHIBIT A-6

**STATEMENT OF CHANGE FUNDS**

<u>Office</u>	Balance, December 31, <u>2010</u>	Balance, December 31, <u>2011</u>
Tax Collector	\$ 300	\$ 300
Borough Clerk	25	25
Municipal Court	200	200
Records Department	25	25
Other	<u>25</u>	<u>25</u>
	<u>\$ 575</u>	<u>\$ 575</u>

EXHIBIT A-7

**STATEMENT OF PETTY CASH FUNDS**

Balance, December 31, 2010		\$ 100
Increased by:		
Cash Receipts		<u>1,450</u>
		1,550
Decreased by:		
Cash Disbursements		<u>1,450</u>
Balance, December 31, 2011		<u>\$ 100</u>



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

Balance, December 31, 2010		\$	5,729
Increased By:			
Senior Citizens, Veterans and Disabled Persons			
Tax Deductions:			
Per Tax Billings	\$	150,250	
Allowed by Tax Collector		<u>2,000</u>	
			<u>152,250</u>
			157,979
Decreased By:			
Received		149,466	
Deductions Disallowed by Tax Collector		<u>250</u>	
			<u>149,716</u>
Balance, December 31, 2011		\$	<u><u>8,263</u></u>

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

<u>Year</u>	<u>Balance, December 31, 2010</u>	<u>2011 Levy</u>	<u>Senior Citizens' and Veterans' Deductions Disallowed</u>	<u>Collected In 2010</u>	<u>2011</u>	<u>Senior Citizens' and Veterans' Deductions Allowed</u>	<u>Transferred to Tax Title Liens Cancelled</u>	<u>Balance, December 31, 2011</u>
2009	\$ 11,656			\$ 11,656				9,000
2010	514,610		-	505,430		-	180	9,000
	526,266		-	517,086		-	180	9,000
2011	-	\$ 46,925,810	\$ 250	\$ 247,341	\$ 45,837,228	\$ 152,250	\$ 1,395	479,794
	\$ 526,266	\$ 46,925,810	\$ 250	\$ 247,341	\$ 46,354,314	\$ 152,250	\$ 1,395	\$ 488,794

Analysis of 2011 Property Tax Levy

<b>Tax Yield</b>	
General Purpose Tax	\$ 46,791,975
Added Taxes (R.S. 54:4-63.1 et seq.)	<u>133,835</u>
	\$ <u>46,925,810</u>
<b>Tax Levy</b>	
Local District School Tax (Abstract)	\$ 27,774,251
Municipal Open Space Tax	98,227
County Tax (Abstract)	\$ 4,052,560
County Tax for Added Taxes (R.S. 54.4-63 et seq.)	<u>7,756</u>
County Open Space Tax	<u>49,441</u>
	4,109,757
<b>Local Tax for Municipal Purposes (Abstract)</b>	14,153,416
Minimum Library Tax	659,013
Add Additional Tax Levy	<u>131,146</u>
	<u>14,943,575</u>
	\$ <u>46,925,810</u>

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

Balance, December 31, 2010	\$ 8,958
Increased By:	
Transferred from Taxes Receivable	<u>1,395</u>
Balance, December 31, 2011	<u>\$ 10,353</u>

**STATEMENT OF PREPAID SCHOOL TAXES**

Balance, December 31, 2010	<u>\$ 110,399</u>
Decreased By:	
Realized as Revenue	<u>\$ 110,399</u>

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

	Balance, December 31, <u>2010</u>	Accrued in 2011	<u>Collected in 2011</u>		Balance, December 31, <u>2011</u>
			<u>Treasurer</u>	<u>Collector</u>	
Borough Clerk					
Alcoholic Beverage					
Licenses		\$ 9,700	\$ 9,700		
Licenses - Other		14,552	14,552		
Construction Code Official					
Fees and Permits		157,530	157,530		
Fees and Permits - Other					
Tax Office		10		\$ 10	
Search Companies		308	308		
Gun Permits		94	94		
Photostats		2,751	2,751		
Fingerprints		210	210		
Xeroxing Fees		163	163		
Swim Club Rent		1,000	1,000		
Polling Places		100	100		
Towing Permits		600	600		
Specifications		50	50		
Duplicate Tax Bills		23		23	
Municipal Court					
Fines and Costs	\$ 4,529	177,552	167,235		\$ 14,846
Interest and Costs on Taxes		115,247		115,247	
Interest on Investments and Deposits		1,239	1,239		
Fire Safety Act Fees		8,973	8,973		
Recreation Fees		43,055	43,055		
Energy Receipts Tax		1,514,076	1,514,076		
Consolidated Municipal Property Tax					
Relief Act		101,002	101,002		
Life Hazard Use Fees		11,323	11,323		
Recycling Revenue		139,987	139,987		
Cell Tower Rent - Gaelic Communications		71,765	71,765		
Cable TV Franchise Fee	-	180,613	180,613	-	-
	<u>\$ 4,529</u>	<u>\$ 2,551,923</u>	<u>\$ 2,426,326</u>	<u>\$ 115,280</u>	<u>\$ 14,846</u>

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

Increased By:		
Authorized in 2011 Budget		\$ <u>127,400</u>
Balance, December 31, 2011		\$ <u>127,400</u>

**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, 2010</u>	<u>Reduced by 2011 Budget</u>	<u>Balance, December 31, 2011</u>
9/8/2008	Master Plan	\$ 25,000	\$ 5,000	\$ <u>15,000</u>	\$ <u>5,000</u>	\$ <u>10,000</u>
				\$ <u>15,000</u>	\$ <u>5,000</u>	\$ <u>10,000</u>

**STATEMENT OF OVEREXPENDITURE OF APPROPRIATION RESERVES**

Balance, December 31, 2010	\$ 69,022
Decreased by:	
Raised in 2011 Budget	<u>69,022</u>
Balance, December 31, 2011	\$ <u>-</u>

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

Balance, December 31, 2010	\$ 247,341
Increased by:	
Collection of 2012 Taxes	<u>262,965</u>
	510,306
Decreased by:	
Applied to 2011 Taxes Receivable	<u>247,341</u>
Balance, December 31, 2011	<u>\$ 262,965</u>

**STATEMENT OF RESERVE FOR FEMA**

Increased by:	
Cash Receipts	<u>\$ 27,258</u>
Balance, December 31, 2011	<u>\$ 27,258</u>

**BOROUGH OF NEW MILFORD**  
**STATEMENT OF 2010 APPROPRIATION RESERVES**

	Balance, December 31, <u>2010</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
<b>Salaries and Wages</b>				
General Administration	\$ 2,994	\$ 2,994		\$ 2,994
Mayor and Council	450	450		450
Municipal Clerk	3,720	3,720		3,720
Collection of Taxes	2,399	2,399		2,399
Assessment of Taxes	224	224		224
Police	17,102	17,032	\$ (19,422)	36,454
Fire	850	850	375	475
Fire Official	1,077	1,077		1,077
Road Repairs and Maintenance	6,226	6,226	1,609	4,617
Recycling	3,253	3,253		3,253
Buildings and Grounds	1	1		1
Board of Health	4,260	4,260		4,260
Recreation Services and Programs	446	516	515	1
Environmental Committee	120	120	70	50
Senior Citizens Program	16,548	16,548	953	15,595
Municipal Court	13,929	13,929		13,929
Public Defender	1,250	1,250		1,250
Construction Code Official	1,312	1,312		1,312
Rent Leveling Board	3	3		3
Shade Tree	300	300		300
<b>Other Expenses</b>				
Municipal Clerk	11,397	13,075	5,787	7,288
Assessment of Taxes	2,746	2,966	227	2,739
Collection of Taxes	499	2,472	1,922	550
Legal Services and Costs	4,853	6,280	2,856	3,424
Engineering Services and Costs	3,836	4,417	1,079	3,338
Planning Board	1,370	1,390	920	470
Zoning Board of Adjustments	7,326	7,446	533	6,913
Liability	4,046	3,421	1,000	2,421
Liability - Bergen Joint Insurance Fund	1	1	(10,887)	10,888
Worker's Compensation - BJIF	1	1		1
Employee Group Insurance	9,824	8,844	106	8,738
Police Department	21,352	41,851	20,899	20,952
Emergency Management	21	271	247	24
Fire	1,017	25,449	25,449	
Holy Name Hospital	3,464	3,464	2,179	1,285
Fire Official	183	1,076	893	183
Office of Emergency Management				-
Road Repairs and Maintenance	8,097	32,476	15,644	16,832
Garbage and Trash Removal	706	78,252	65,385	12,867
Recycling	19,122	133,916	95,245	38,671
Buildings and Grounds	262	3,608	3,582	26
Vehicle Maintenance	4,902	8,296	1,467	6,829
Board of Health	1,209	2,431	1,213	1,218
New Milford Blood Bank	50	50		50
Environmental Committee	281	281	280	1
Animal Control Services	6,396	6,396		6,396
Aid to Mental Health Center	250	250		250
Recreation Services and Programs	15,511	21,701	13,478	8,223
Historical Commission	946	946		946
Shade Tree Committee	7,830	7,830	30	7,800

**BOROUGH OF NEW MILFORD  
STATEMENT OF 2010 APPROPRIATION RESERVES**

	Balance, December 31, <u>2010</u>	Modified <u>Balance</u>	<u>Expended</u>	Balance <u>Lapsed</u>
<b>Other Expenses (Continued)</b>				
Senior Citizen Program	\$ 14,365	\$ 15,715	\$ 1,166	\$ 14,549
Construction Code Official	27	1,428	1,414	14
Rent Leveling Board	677	928	301	627
Electricity	17,678	26,543	20,489	6,054
Street Lighting	13,319	24,718	22,826	1,892
Telephone	3,805	4,919	2,724	2,195
Water		18,013	15,641	2,372
Gas and Oil	8,080	26,845	17,930	8,915
Fire Hydrants	17,738			
Celebration of Events	223	888	605	283
Municipal Court	1,911	1,911	(205)	2,116
Social Security System	15	15		15
Unemployment	59	59		59
Maintenance of Free Public Library	2	2		2
Public Employees Retirement System	1	1		1
Length of Service Award Program	75,000	75,000	62,885	12,115
Drunk Driving Enforcement Fund	1,660	1,802	1,802	
Clean Communities Program	855	6,010	6,010	
Body Armor Fund	1,257	1,257	1,257	
Title III	3,271	3,271	3,271	
Recycling Tonnage Grant	<u>38,648</u>	<u>38,648</u>	<u>38,648</u>	<u>-</u>
	<u>\$ 412,553</u>	<u>\$ 743,294</u>	<u>\$ 430,398</u>	<u>\$ 312,896</u>
Appropriation Reserves	\$ 412,553			
Encumbrances Payable		<u>330,741</u>		
		<u>\$ 743,294</u>		
Cash Disbursements			\$ 385,560	
Transfer to Appropriated Reserves			43,639	
Transfer to Reserve for Encumbrances			<u>1,199</u>	
			<u>\$ 430,398</u>	



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

	Balance, December 31, 2010	Accrued - Budget	Accrued - Ch. 159	Transferred Unappropriated Grants	Cancelled	Cash Receipts	Balance, December 31, 2011
Nursing Services - BOE	\$ 3,773				\$ 3,773		
Nursing Services - BOE	6,383				6,383		
COPS in School	82,283				82,283		
Historic Grant	100				100		
Bergen County Junior Police	5,300				5,300		
Community Development Block Grant	22,513				22,513		
Recycling Tonnage Grant		\$ 38,643				\$ 38,643	
Clean Communities		25,171		\$ 2		23,454	\$ 1,715
Body Armor		2,944	\$ 6,213	2,944		6,213	
Title III - Senior Citizens		20,680		20,680			
NJ Community Stewardship Incentive	-	-	7,000	-	-	7,000	-
	<u>\$ 120,352</u>	<u>\$ 87,438</u>	<u>\$ 13,213</u>	<u>23,626</u>	<u>\$ 120,352</u>	<u>\$ 75,310</u>	<u>\$ 1,715</u>

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

	Balance, December 31, <u>2010</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Balance, December 31, <u>2011</u>
Marriage License Fees Payable	\$ 550	\$ 2,400	\$ 2,625	\$ 325
DCA Fees Payable	1,415	7,201	6,570	2,046
Burial Permit Fees Payable	1,453			1,453
Reserve for Master Plan	<u>13,894</u>	<u>-</u>	<u>-</u>	<u>13,894</u>
	<u>\$ 17,312</u>	<u>\$ 9,601</u>	<u>\$ 9,195</u>	<u>\$ 17,718</u>

**STATEMENT OF TAX ANTICIPATION NOTES PAYABLE**

	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Increased</u>	<u>Balance Dec. 31, 2011</u>
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%	<u>1,500,000</u>	<u>1,500,000</u>
				<u>\$ 2,500,000</u>	<u>\$ 2,500,000</u>

**STATEMENT OF ENCUMBRANCES PAYABLE**

Balance, December 31, 2010	\$ 330,741
Increased by:	
Charges to 2010 Appropriation Reserves	\$ 1,199
Charges to 2011 Budget Appropriations	<u>370,303</u>
	<u>371,502</u>
	702,243
Decreased by:	
Transfer to 2010 Appropriation Reserves	<u>330,741</u>
Balance, December 31, 2011	<u>\$ 371,502</u>

**BOROUGH OF NEW MILFORS  
STATEMENT OF TAX OVERPAYMENTS**

Balance, December 31, 2010		\$	1,060
Increased by:			
Cash Receipts	\$	5,035	
Prior Year Appeals Granted		<u>12,469</u>	
			<u>17,504</u>
			18,564
Decreased by:			
Cash Disbursements			<u>13,529</u>
Balance, December 31, 2011		\$	<u>5,035</u>

**STATEMENT OF LOCAL DISTRICT SCHOOL TAX**

Increased by:			
Levy - Calendar Year 2011		\$	<u>27,774,251</u>
Decreased by:			
Prepaid School Taxes Applied	\$	110,399	
Cash Disbursements		<u>27,663,852</u>	
			<u>\$ 27,774,251</u>

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

Increased by:		
Levy - Calendar Year 2011	\$	98,096
Added Taxes		<u>131</u>
	\$	98,227
Decreased by:		
Cash Disbursements		<u>98,096</u>
Balance, December 31, 2011	\$	<u>131</u>

**STATEMENT OF COUNTY TAXES PAYABLE**

Balance, December 31, 2010		\$	5,218
Increased by:			
2011 Tax Levy	\$	4,052,560	
Due County for Added and Omitted Taxes		7,756	
County Open Space Tax		<u>49,441</u>	
			<u>4,109,757</u>
			4,114,975
Decreased by:			
Cash Disbursements			<u>4,107,458</u>
Balance, December 31, 2011	\$		<u>7,517</u>

**STATEMENT OF EMERGENCY NOTES PAYABLE**

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

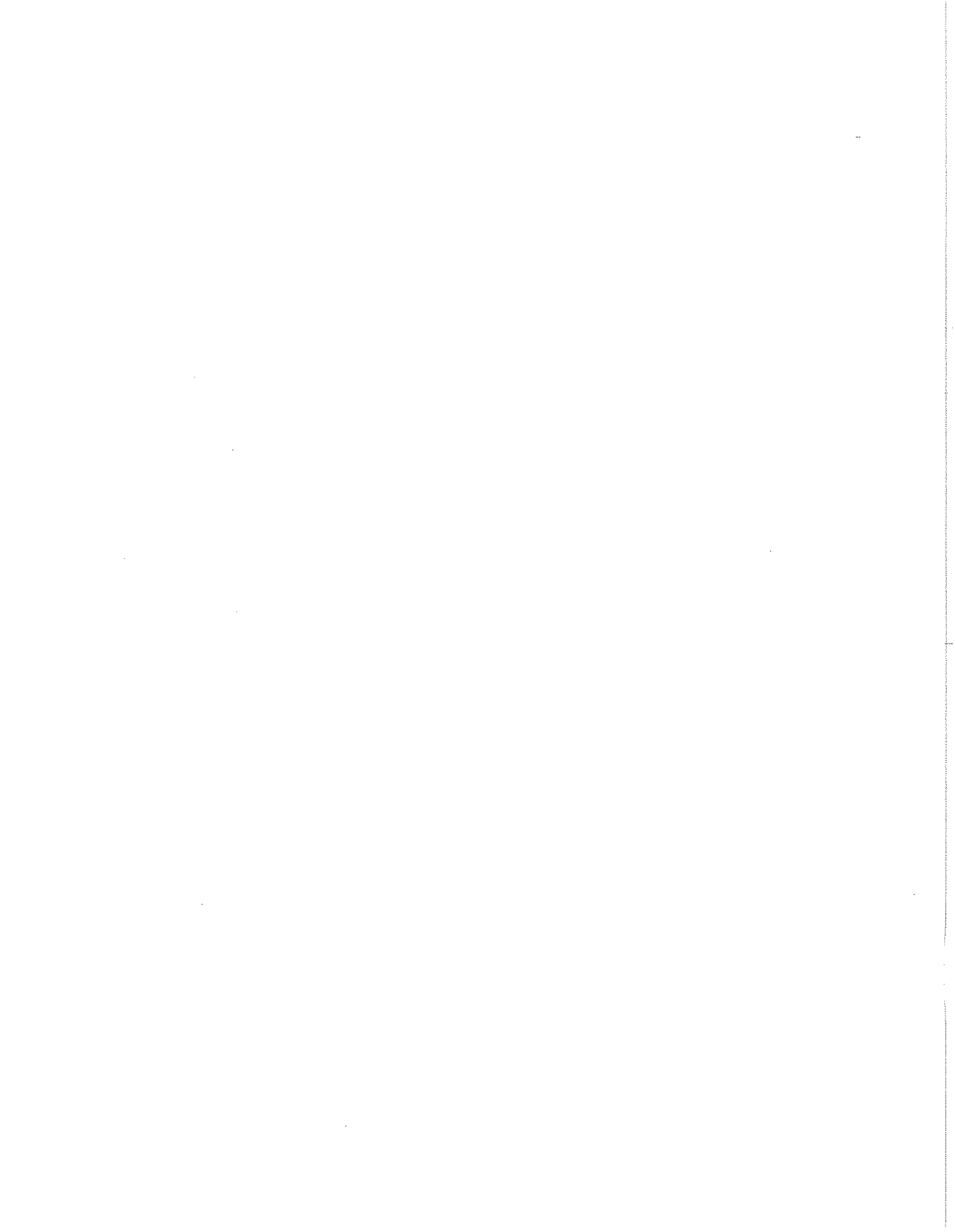
**BOROUGH OF NEW MILFORD**  
**STATEMENT OF GRANT UNAPPROPRIATED RESERVES**

	Balance, December 31, <u>2010</u>	<u>Received</u>	<u>Realized</u>	Balance, December 31, <u>2011</u>
Clean Communities	\$ 2		\$ 2	
Title III - Senior Citizens	20,680	\$ 20,680	20,680	\$ 20,680
DDEF		1,740		1,740
Alcohol Ed & Rehab		162		162
Recycling Tonnage Grant		34,483		34,483
Body Armor	<u>2,944</u>	<u>-</u>	<u>2,944</u>	<u>-</u>
	<u>\$ 23,626</u>	<u>\$ 57,065</u>	<u>\$ 23,626</u>	<u>\$ 57,065</u>

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

	Balance, December 31, <u>2010</u>	Transferred from <u>Reserves</u>	Balance, December 31, <u>2011</u>
Drunk Driving Enforcement Fund	\$ 1,936	\$ 1,695	\$ 3,631
Clean Communities	10,315	25	10,340
Body Armor Fund	3,831		3,831
Municipal Stormwater Management	9,022		9,022
Recycling Tonnage Grant	21,054	38,648	59,702
Alcohol Education and Rehabilitation	1,541		1,541
Title III - Senior Citizens	<u>-</u>	<u>3,271</u>	<u>3,271</u>
	<u>\$ 47,699</u>	<u>\$ 43,639</u>	<u>\$ 91,338</u>

**TRUST FUND**





BOROUGH OF NEW MILFORD  
STATEMENT OF TRUST CASH - TREASURER

	Animal Control Trust Fund	Other Trust Fund	Unemployment Compensation Insurance Trust Fund	Recreation Trust Fund
Balance, December 31, 2010	\$ 13,076	\$ 255,121	\$ 10	\$ 3,541
Increased by Receipts:				
Budget Appropriations		\$ 31,000		
Miscellaneous Reserves	\$ 9,593,061			
Due to LOSAP Trust Fund	555,898			
License Fees	7,134			
Due to State of New Jersey	1,332			
Recreation Trust Fees	-		\$ 37,399	
Employee Contributions	8,466	10,148,959	40,155	37,399
	21,542	10,404,080	40,165	40,940
Decreased by Disbursements:				
Miscellaneous Reserves		9,396,043		
Due to LOSAP Trust Fund		478,094		
Due to State of New Jersey	1,322		32,146	
Animal Control Expenditures	3,319			
Recreation Trust Expenditures	-			39,760
	4,641	9,874,137	32,146	39,760
Balance, December 31, 2011	\$ 16,901	\$ 529,943	\$ 8,019	\$ 1,180

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

	<u>Medical Claims Trust Fund</u>	<u>Community Development Trust Fund</u>	<u>Open Space Trust Fund</u>
Balance, December 31, 2010	\$ 112,851	\$ 111,435	\$ 410,530
Increased by Receipts:			
Interest on Investments and Deposits	\$ 188,062	\$	453
Medical Claims Trust Deposits	-	-	98,096
Municipal Open Space Tax	<u>188,062</u>	<u>-</u>	<u>98,549</u>
	300,913	111,435	509,079
Decreased by Disbursements:			
Payments to General Capital Fund		110,965	
Medical Claims Trust Expenditures	247,160	-	900
Open Space Trust Expenditures	<u>247,160</u>	<u>110,965</u>	<u>900</u>
Balance, December 31, 2011	<u>\$ 53,753</u>	<u>\$ 470</u>	<u>\$ 508,179</u>

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

Balance, December 31, 2010		\$ 13,060
Increased by:		
License Fees		7,134
		20,194
Decreased by:		
Cash Disbursements	\$ 3,319	
Statutory Excess	1,866	
		5,185
Balance, December 31, 2011		\$ 15,009

EXHIBIT B-5

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

Balance, December 31, 2010		\$ 16
Increased by:		
Cash Receipts		1,332
		1,348
Decreased by:		
Disbursements		1,322
Balance, December 31, 2011		\$ 26

EXHIBIT B-6

**STATEMENT OF DUE TO CURRENT FUND - OTHER TRUST FUND**

Balance, December 31, 2010 (Due To)		\$ 3,159
Decreased by:		
Cash Receipts Deposited in Current Fund		3,290
Balance, December 31, 2011 (Due From)		\$ 131

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

Balance, December 31, 2010	\$ <u>1</u>
----------------------------	-------------

Balance, December 31, 2011	\$ <u><u>1</u></u>
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**STATEMENT OF OPEN SPACE TAXES RECEIVABLE - OPEN SPACE TRUST FUND**

Increased by:	
Added Assessments - Open Space Tax	\$ <u>131</u>

Balance, December 31, 2011	\$ <u><u>131</u></u>
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**BOROUGH OF NEW MILFORD  
STATEMENT OF MISCELLANEOUS RESERVES**

<u>Account</u>	Balance, December 31, 2010	<u>Increased</u>	Cash <u>Disbursements</u>	Balance, December 31, 2011
Escrow Deposits	\$ 74,565	\$ 43,827	\$ 26,093	\$ 92,299
Tax Title Liens and Premiums	58,128	80,573	15,173	123,528
Landlord Emergency Repairs	54,059	137		54,196
Parking Offenses Adjudication Act	18,513	4,086		22,599
D.A.R.E Trust	10,271	19,704	22,659	7,316
Shade Tree	7,248	500		7,748
Junior Police Academy	6,542	6,420	5,791	7,171
Building Department	16,150	16		16,166
Historic Preservation	1,459	47		1,506
Uniform Fire Code	1,428	101		1,529
Police DDEF	80			80
Public Defender	3,519			3,519
Accrued Payroll		9,438,340	9,326,327	112,013
Flexible Spending		2,100		2,100
JIF Safety	-	500	-	500
	<u>\$ 251,962</u>	<u>\$ 9,596,351</u>	<u>\$ 9,396,043</u>	<u>\$ 452,270</u>
		Cash Receipts \$ 9,593,061		
		Due from Current Fund <u>3,290</u>		
		<u>\$ 9,596,351</u>		

**STATEMENT OF RESERVE FOR EXPENDITURES - RECREATION TRUST FUND**

Balance, December 31, 2010	\$ 3,541
Increased by:	
Cash Receipts	<u>37,399</u>
	40,940
Decreased by:	
Payments	<u>39,760</u>
Balance, December 31, 2011	<u>\$ 1,180</u>

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

Balance, December 31, 2010		\$ 112,851
Increased by:		
Cash Receipts		<u>188,062</u>
		300,913
Decreased by:		
Cash Disbursements		<u>247,160</u>
Balance, December 31, 2011		<u>\$ 53,753</u>

EXHIBIT B-12

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

Balance, December 31, 2010		\$ <u>1</u>
Balance, December 31, 2011		<u>\$ 1</u>

EXHIBIT B-13

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

Balance, December 31, 2010		\$ <u>7</u>
Balance, December 31, 2011		<u>\$ 7</u>

**BOROUGH OF NEW MILFORD  
STATEMENT OF RESERVE FOR UNEMPLOYMENT COMPENSATION INSURANCE**

Balance, December 31, 2010		\$ 10
Increased by:		
Borough Contributions	\$ 31,000	
Employee Contributions	<u>9,155</u>	
		<u>40,155</u>
		40,165
Decreased by:		
Due to State of New Jersey		<u>36,125</u>
Balance, December 31, 2011		<u>\$ 4,040</u>

EXHIBIT B-15

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

Balance, December 31, 2010		\$ -
Increased by:		
Claims		<u>36,125</u>
		36,125
Decreased By:		
Payments		<u>32,146</u>
Balance, December 31, 2011		<u>\$ 3,979</u>

EXHIBIT B-16

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

Balance, December 31, 2010		\$ 111,427
Decreased By:		
Cash Disbursements		<u>110,965</u>
Balance, December 31, 2011		<u>\$ 462</u>

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

Balance , December 31, 2010		\$ 98,350
Increased by:		
Cash Receipts - Open Space Tax	\$ 98,096	
Cash Receipts - Interest	453	
Amount Due from Current Fund - Added Taxes Open Space	131	
		98,680
		197,030
Decreased by:		
Cash Disbursements		900
Balance , December 31, 2011		\$ 196,130

EXHIBIT B-18

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

Balance, December 31, 2010		\$ <u>312,181</u>
Balance, December 31, 2011		\$ <u>312,181</u>

EXHIBIT B-19

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

Increased by:		
Statutory Excess	\$ 1,866	
Balance, December 31, 2011		\$ <u>1,866</u>

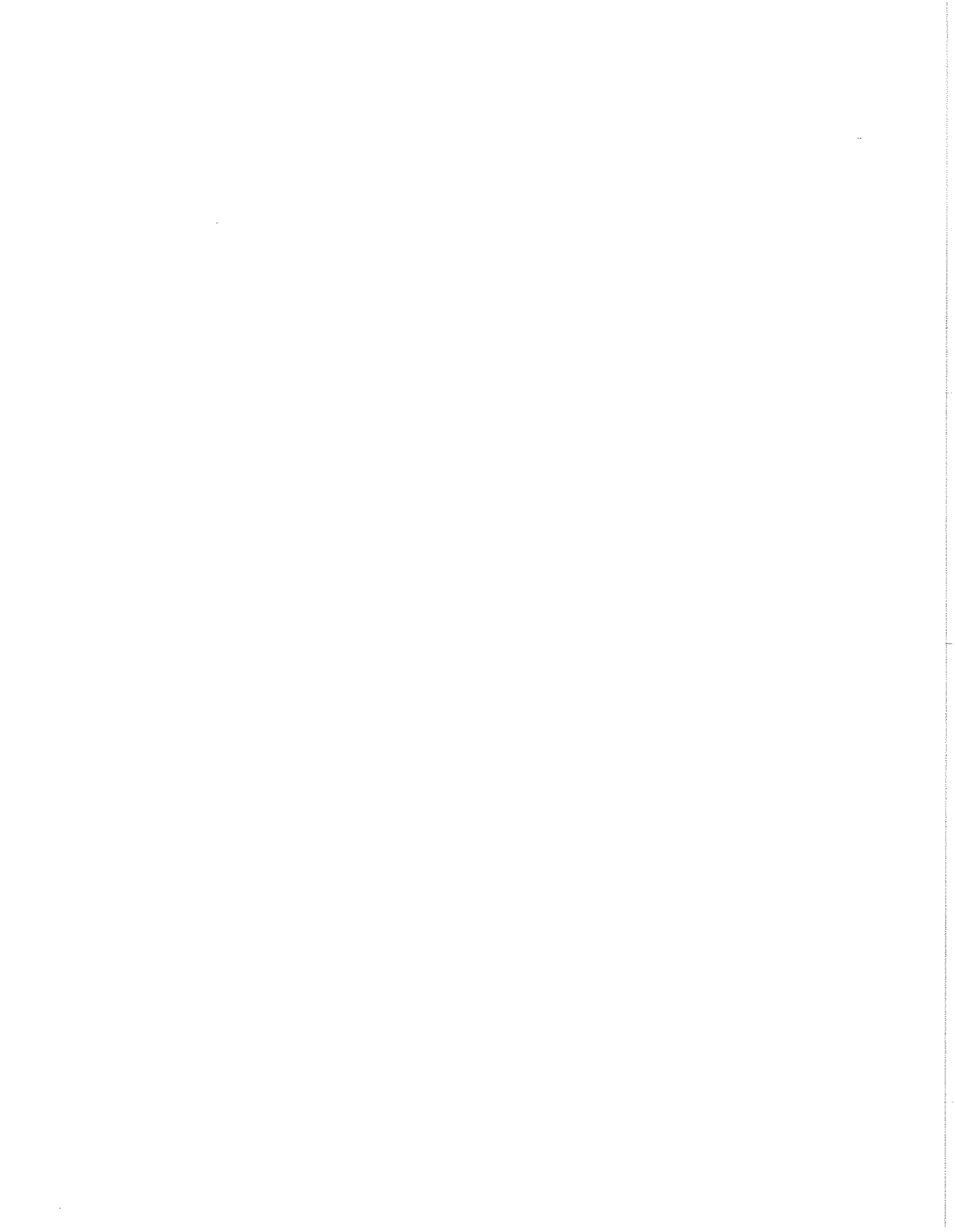
EXHIBIT B-20

**STATEMENT OF DUE TO LOSAP TRUST FUND  
OTHER TRUST FUND**

Increased by:		
Cash Receipts	\$ 555,898	
Decreased by:		
Cash Disbursements		478,094
Balance, December 31, 2011		\$ 77,804



**GENERAL CAPITAL FUND**



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

Balance, December 31, 2010		\$ 633,158
Increased by Receipts:		
Interest on Investments and Deposits	\$ 4	
Payments from Community Development Trust Fund	110,965	
Grants and Contributions Receivable	222,586	
EIT Loans Receivable	349,466	
Bond Anticipation Notes	927,000	
Budget Appropriation - Capital Improvement Fund	<u>46,500</u>	
		<u>1,656,521</u>
		2,289,679
Decreased by Disbursements:		
Improvement Authorizations	1,818,239	
Payments to Current Fund	34,879	
Payments to Current Fund - Interest	<u>4</u>	
		<u>1,853,122</u>
Balance, December 31, 2011		<u>\$ 436,557</u>

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

	Balance, December 31, <u>2011</u>
Fund Balance	\$ 29,511
Contracts Payable	487,332
Due to Current Fund	102,656
Due from Open Space Trust Fund	(312,181)
Due from Community Development Trust Fund	(462)
EIT Loans Receivable	(841,784)
Grants and Contributions Receivable	(173,500)
Capital Improvement Fund	10,700
Reserve for Payment of Debt	8,749
Reserve for Legislative Grant	30,000
Excess Proceeds - Ord. 09-04	33,972
Excess Proceeds - Ord. 10-05	222,586

## Improvement Authorizations:

Ordinance <u>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	14,194
08-08	Various Improvements	2,386
09-05	Various Public Improvements	21,980
09-07	Sanitary Sewer Rehabilitation	1
09-13	Various Public Improvements	173,989
10-05	Various Public Improvements	3,876
10-06	Various Public Improvements	93,293
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	109,006
10-13	Various Public Improvements	15
10-14	Sanitary Sewer Pipe Lining & Replacement	483,923
11-8	River Road Streetscape Improvement Project, Phase IV	162,997
11-9	Various Public Improvements	84,386
		<u>\$ 436,557</u>

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

Balance, December 31, 2010		\$	-
Increased by:			
Payment of Bond Anticipation Notes	\$ 2,112,840		
Surplus Anticipated as Current Fund Revenue	52,656		
Interest on Investments and Deposits	<u>4</u>		
			<u>2,165,500</u>
			2,165,500
Decreased by:			
Premium on Notes	386		
Bond Anticipation Note Proceeds	2,027,575		
Cash Disbursed to Current Fund	34,879		
Cash Disbursed to Current Fund - Interest	<u>4</u>		
			<u>2,062,844</u>
Balance, December 31, 2011		\$	<u>102,656</u>

**STATEMENT OF DEFERRED CHARGES TO FUTURE TAXATION - FUNDED**

Balance, December 31, 2010		\$	7,156,039
Decreased by:			
Bonds Paid By Budget Appropriations	\$ 660,000		
Loans Paid By Budget Appropriations	20,890		
Capital Leases Paid By Budget Appropriations	<u>9,788</u>		
			<u>690,678</u>
Balance, December 31, 2011		\$	<u>6,465,361</u>



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

Balance, December 31, 2010	\$ 1,200
Increased by:	
2011 Budget Appropriation	<u>46,500</u>
	47,700
Decreased by:	
Appropriated to Finance Improvement Authorizations	<u>37,000</u>
Balance, December 31, 2011	<u>\$ 10,700</u>

**STATEMENT OF CONTRACTS PAYABLE**

Increased by:	
Contracts Awarded	<u>\$ 487,332</u>
Balance, December 31, 2011	<u>\$ 487,332</u>





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

Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance, December 31, 2010	Balance, December 31, 2011
		Date	Amount			
6/15/2005	\$ 3,085,000	2/1/2012	\$ 400,000	3.50	\$ 2,060,000	\$ 1,685,000
		2/1/2013	415,000	3.50		
		2/1/2014	425,000	3.50		
		2/1/2015	445,000	3.50		
5/1/2009	4,160,000	5/1/2012	300,000	2.00	3,895,000	3,610,000
		5/1/2013	305,000	2.00		
		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		
					<u>\$ 5,955,000</u>	<u>\$ 5,295,000</u>

Paid by Current Fund Budget \$ 660,000

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

Balance, December 31, 2010 \$ 30,000

Balance, December 31, 2011 \$ 30,000

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

		New Milford Recreation Commission	Community Development Block Grant	Bergen County Open Space Trust Fund	Department of Transportation	Flood Mitigation Planning Grant
Balance, December 31, 2010	\$	672,628	\$ 40,000	\$ 83,176	\$ 173,500	\$ 372,206
Increased by:						
Grant Award		173,127	-	-	173,127	-
		845,755	40,000	83,176	173,500	3,746
Decreased by:						
Cancelled		133,681	40,000	67,729	22,206	3,746
Cash Receipts		222,586	-	-	222,586	-
		356,267	40,000	67,729	244,792	3,746
Balance, December 31, 2011	\$	489,488	\$ -	\$ 15,447	\$ 300,541	\$ -
Analysis of Balance						
Ord. 10-06 (Handicapped Ramps)	\$	15,447	\$ -	15,447	-	-
Ord. 10-06 (Hardcastle Pond)		80,000	\$ -	80,000	-	-
Ord. 10-06 (Warren Street Park)		93,500	\$ -	93,500	-	-
Ord. 11-08		173,127	\$ -	-	173,127	-
Ord. 10-05		127,414	-	-	127,414	-
	\$	489,488	\$ -	\$ 15,447	\$ 300,541	\$ -

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

Balance, December 31, 2010	\$	119,714
Decreased by:		
Deferred Charges to Future Taxation - Unfunded		110,965
Balance, December 31, 2011	<b>\$</b>	<b>8,749</b>

Analysis of Balance

Department of Transportation - Ord. 08-07	\$	8,452
Department of Transportation - Ord. 09-04		297
	<b>\$</b>	<b>8,749</b>

EXHIBIT C-14

**STATEMENT OF RESERVE FOR GRANTS RECEIVABLE**

Balance, December 31, 2010	\$	365,447
Increased by:		
Grants Awarded		173,127
		538,574
Decreased by:		
Grant Receipts		222,586
Balance, December 31, 2011	<b>\$</b>	<b>315,988</b>

Analysis of Balance

Department of Transportation - Ord. 10-05	\$	127,414
Department of Transportation - Ord. 11-08		173,127
Community Development Block Grant - Ord. 10-6		15,447
	<b>\$</b>	<b>315,988</b>

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

Balance, December 31, 2010	\$ 1,191,250
Decreased by:	
Paid by Budget Appropriation	<u>20,890</u>
Balance, December 31, 2011	<u>\$ 1,170,360</u>

Analysis of Balance

Fund Loan	\$ 595,360
Trust Loan	<u>575,000</u>
	<u>\$ 1,170,360</u>

**STATEMENT OF EIT LOANS RECEIVABLE**

Balance, December 31, 2010	\$ 1,191,250
Decreased by:	
Cash Receipts	<u>349,466</u>
Balance, December 31, 2011	<u>\$ 841,784</u>

Analysis of Balance

Fund Loan	\$ 441,517
Trust Loan	<u>400,267</u>
	<u>\$ 841,784</u>

**STATEMENT OF CAPITAL LEASES PAYABLE**

Balance, December 31, 2010	\$ 9,788
Decreased by:	
Paid by Budget Appropriation	<u>9,788</u>
Balance, December 31, 2011	<u>\$ -</u>

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

<u>Ordinance #</u>	<u>Improvement Description</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2010</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance December 31, 2011</u>
09-04	Improvements to Boulevard, Sec. 5	7/23/2010 4/19/2011	4/19/2011 4/19/2012	1.27% 1.75%	\$ 77,000	\$ 77,000	\$ 77,000	\$ 77,000
09-05	Various Public Improvements	7/23/2010 4/19/2011	4/19/2011 4/19/2012	1.27% 1.75%	292,300	292,300	292,300	- 292,300
09-07	Sanitary Sewer Rehabilitation	7/23/2010 4/19/2011	4/19/2011 4/19/2012	1.27% 1.75%	28,500	28,500	28,500	- 28,500
09-13	Various Public Improvements/ Additional Machinery and Equip.	4/19/2010 4/19/2011	4/19/2011 4/19/2012	1.00% 1.75%	480,040	480,040	480,040	- 480,040
10-05		Various Public Improvements	4/19/2010 4/19/2011	4/19/2011 4/19/2012	1.00% 1.75%	450,000	450,000	450,000
10-06	Various Public Improvements	4/19/2010 4/19/2011	4/19/2011 4/19/2012	1.00% 1.75%	190,000	79,035	190,000	- 79,035
10-07	Various Public Improvements, Acquisition of additional or replacement equipment and new communication and signal systems	7/23/2010 4/19/2011	4/19/2011 4/19/2012	1.27% 1.75%	595,000	595,000	595,000	- 595,000
10-13	Various Public Improvements	4/19/2011	4/19/2012	1.75%	-	25,700	-	25,700
11-8	River Road Streetscape Improvement Project, Phase IV	9/19/2011	4/19/2012	0.88%	-	200,000	-	200,000
11-9	Various Public Improvements	9/19/2011	4/19/2012	0.88%	-	727,000	-	727,000
					<u>\$ 2,112,840</u>	<u>\$ 2,954,575</u>	<u>\$ 2,112,840</u>	<u>\$ 2,954,575</u>
					Cash Received \$ 927,000			
					Due to Current Fund \$ 2,027,575			
					<u>\$ 2,954,575</u>	<u>\$ 2,954,575</u>	<u>\$ 2,112,840</u>	<u>\$ 2,112,840</u>

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

Ord. No.	Improvement Description	Increased by		Decreased by		Balance, December 31, 2011
		Balance, December 31, 2010	2011 Authorizations	Notes Issued	Cancelled	
	<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	39,358			\$ 31,678	7,680
04-10	Various Improvements	218,000				218,000
05-09	Madison Ave School Improvements	44,636			44,636	-
05-11	Hardcastle Pond Redevelopment	4,872				4,872
05-14/07-16	Various Public Improvements	24,303				24,303
05-15	River Road Streetscape Improvements	8,669			8,669	-
05-23	Acquisition of Property	15,482				15,482
05-27	Various Public Improvements	2,198			2,198	-
06-11	Improvements to River Road, Section 5	56,781			44,005	12,776
08-08	Various Improvements	435				435
09-13	Various Public Improvements	24,660				24,660
10-13	Various Public Improvements	25,700		\$ 25,700		-
10-14	Sanitary Sewer Pipe Lining & Replacement	234,090				234,090
11-08	River Road Streetscape Improvement Project, Phase IV	-	\$ 200,000	200,000		-
11-09	Various Public Improvements	-	727,000	727,000		-
		<u>\$ 732,243</u>	<u>\$ 927,000</u>	<u>\$ 952,700</u>	<u>\$ 131,186</u>	<u>\$ 575,357</u>

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**PUBLIC ASSISTANCE FUND**



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

	<u>PATF #1</u>	<u>Total</u>
Balance, December 31, 2010	\$ 10,920	\$ 10,920
Increased by Receipts:		
Donations	2,189	2,189
Interest	<u>33</u>	<u>33</u>
	<u>13,142</u>	<u>13,142</u>
Decreased by Disbursements:		
Non-Reimbursable Public Assistance Payments	<u>1,998</u>	<u>1,998</u>
Balance, December 31, 2011	<u>\$ 11,144</u>	<u>\$ 11,144</u>

**STATEMENT OF RESERVE FOR PUBLIC ASSISTANCE FUND**

	<u>PATF #1</u>	<u>Total</u>
Balance, December 31, 2010	\$ 10,920	\$ 10,920
Increased by:		
Donations	2,189	2,189
Interest	<u>33</u>	<u>33</u>
	<u>13,142</u>	<u>13,142</u>
Decreased by:		
Non-Reimbursable Public Assistance Payments	<u>1,998</u>	<u>1,998</u>
Balance, December 31, 2011	<u>\$ 11,144</u>	<u>\$ 11,144</u>

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**BOROUGH OF NEW MILFORD**



**PART II**

**GOVERNMENT AUDITING STANDARDS**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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EDWARD N. KERE, 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

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

We have audited the financial statements – regulatory basis of the Borough of New Milford as of and for the year ended December 31, 2011, and have issued our report thereon dated May 23, 2012 which indicated that the financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America but rather prepared using the regulatory basis of accounting prescribed or permitted by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1. In addition, our report on the financial statements – regulatory basis was qualified because of the presentation of the unaudited LOSAP Fund financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

### 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, we considered the Borough of New Milford's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2011-1 through 2011-3 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of New Milford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and which are described in the accompanying schedule of findings and responses as items 2011-1 through 2011-3.

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".

The Borough of New Milford's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Borough's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the governing body, others within the Borough, New Jersey Department of Community Affairs and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*LERCH, VINCI & HIGGINS LLP*

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

*Gary W. Higgins*

Gary W. Higgins  
Registered Municipal Accountant  
RMA Number CR00405

Fair Lawn, New Jersey  
May 23, 2012



**BOROUGH OF NEW MILFORD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Grant Year	CFDA Number	Grant Award Amount	2011 Grant Receipts	Balance, December 31, 2010	Revenue Realized	Expenditures	Balance, December 31, 2011
<b>FEMA</b>								
Disaster Public Assistance Grants - 2010 Floods	2011	97.036	\$ 11,016	\$ 11,016	\$	\$ 11,016	\$ 11,016	
Disaster Public Assistance Grants - Severe Weather	2011	97.036	23,011	23,011		23,011	23,011	
Disaster Public Assistance Grants - Hurricane Irene	2011	97.036		28,022		28,022	28,022	
<b>State Forestry Services</b>								
Wildlife Fire Management - NJ Community						7,000	7,000	
Stewardship Incentive		10.688	7,000					
<b>Community Development Block Grant</b>								
Construction of Handicapped Ramps (Ord. 10-06)					\$ 15,447			\$ 15,447
<b>Department of Transportation</b>								
Highway Planning and Construction (Ord. 10-05)	2010	20.205	350,000	222,586		350,000	222,586	127,414
Highway Planning and Construction (Ord. 11-08)	2011	20.205	173,127			173,127	-	173,127
<b>U.S. Department of Environmental Protection</b>								
Public Wastewater Facilities	2010		616,250	174,733	616,250	-	174,733	441,517
					\$ 631,697	\$ 592,176	\$ 466,368	\$ 757,505

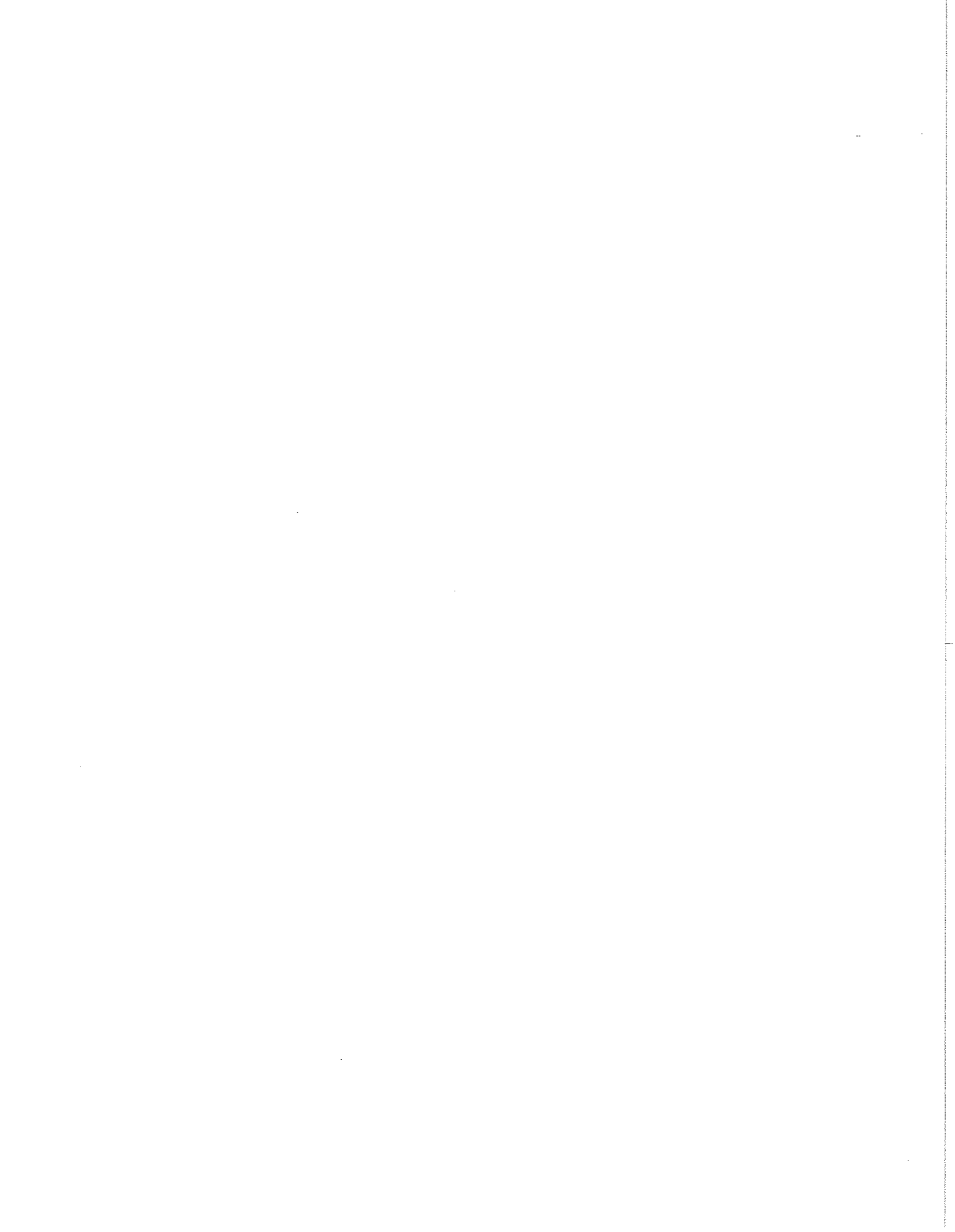
Note: This schedule was not subject to an audit in accordance with OMB-133.

**BOROUGH OF NEW MILFORD  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED DECEMBER 31, 2011**

State Grant Program	Account Numbers	Grant Year	2011 Grant Receipts	Balance, December 31, 2010	Revenue Realized	Expenditures	Balance, December 31, 2011	Memo Cumulative Total Expenditures
Drunk Driving Enforcement Fund	1110-443-031020-22	2010 Prior	\$ -	1,802	\$ -	107	1,695	\$ 2,300
				1,936			1,936	
Alcohol Education and Rehabilitation Program	4250-760-050000-63-260	Prior		1,541			1,541	
Clean Communities Act	4900-765-178900	2011 Prior	\$ 23,454	6,010	\$ 25,171	20,625	4,546	20,625
				10,315		5,985	25	24,918
							10,315	
Recycling Tonnage Grant	4830-752-050550-30	2011 Prior	38,643	38,648	38,643		38,643	
				21,054			38,648	
							21,054	
Municipal Stormwater Management		Prior		9,022			9,022	
Body Armor Grant		2011 Prior	6,213	1,257	9,157	8,794	363	8,794
				3,831		1,257	-	1,257
							3,831	
Title III - Senior Citizens		2011 Prior		3,271	20,680	20,680	-	20,680
							3,271	17,409
Department of Environmental Protection - Public Wastewater Facilities		2010	174,733	575,000	-	174,733	400,267	174,733
N/A - Not Available								
				<u>\$ 673,687</u>	<u>\$ 93,651</u>	<u>\$ 232,181</u>	<u>\$ 535,157</u>	<u>\$ 270,716</u>

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

**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, 2011**

**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 presented using the regulatory basis of accounting as prescribed or permitted 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(B) to the Borough's financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the Borough's financial statements. Financial assistance 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	\$ 69,049	\$ 93,651	\$ 162,700
General Capital Fund	<u>523,127</u>	<u>-</u>	<u>523,127</u>
 Total Financial Awards	 <u>\$ 592,176</u>	 <u>\$ 93,651</u>	 <u>\$ 685,827</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, 2011**

**NOTE 5 STATE LOANS OUTSTANDING**

The Borough's state loans outstanding at December 31, 2011, which are not required to be reported on the schedule of expenditures of state financial assistance, are as follows:

Loan Program

New Jersey Environmental Infrastructure Trust	
Fund Loan	\$ 595,360
Trust Loan	<u>575,000</u>
	<u>\$1,170,360</u>

**BOROUGH OF NEW MILFORD  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

*Part I – Summary of Auditor's Results*

**Financial Statements**

Type of auditors' report issued on financial statements Qualified - Presentation of Unaudited LOSAP Fund

Internal control over financial reporting:

1) Material weakness(es) identified     X     yes          no

2) Significant deficiency(ies) that are not considered to be material weakness(es)?          yes     X     no

Noncompliance material to the financial statements noted?     X     yes          no

**Federal Awards Section**

NOT APPLICABLE

**State Awards Section**

NOT APPLICABLE

**BOROUGH OF NEW MILFORD  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 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.

**Criteria or specific requirement:**

N.J.A.C. 5:30-5.7 General Ledger Accounting Systems.

**Condition:**

See Finding 2011-1.

**Context:**

The general ledgers were not reconciled to the subsidiary records of the Borough resulting in various general ledger accounts being materially misstated at December 31, 2011.

**Effect:**

Financial statements presented for audit contained material misstatements, however, numerous audit adjustments were applied to the financial statements in order to properly state account balances.

**Recommendation:**

Internal controls over financial reporting be reviewed and enhanced to ensure general ledgers reflect all required journal entries.

**Management's Response:**

Management has hired a new Certified Municipal Finance Officer who has and will on an ongoing basis verify that all supporting records are in agreement to the general ledgers.



**BOROUGH OF NEW MILFORD  
SCHEDULE OF FINDINGS AND RESPONSES (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**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.

**Criteria or specific requirement:**

New Jersey Administrative Code 5:30-5.7 "General Ledger Accounting Systems".

**Condition:**

General ledgers are not maintained for the General Capital and various Trust Funds.

**Context:**

Cash receipt and cash disbursement journals were maintained; however, transactions were not recorded in general ledgers and reconciled to respective statements and reports.

**Effect:**

The accuracy of the Borough's fund financial statements could be compromised due to transactions which are not recorded in a general ledger accounting system and reconciled to subsidiary reports and supporting documentation.

**Cause:**

The financial activity of certain funds was not recorded and maintained in a self-balancing double entry accounting system.

**Recommendation:**

The Borough implement and maintain a general ledger accounting system for the General Capital Fund and each of the Trust Funds.

**Management's Response:**

Management has hired a new Certified Municipal Finance Officer who implemented the use of general ledgers for the General Capital and Trust Funds beginning January 1, 2012.

**BOROUGH OF NEW MILFORD  
SCHEDULE OF FINDINGS AND RESPONSES (Continued)  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**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.

**Criteria or specific requirement:**

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

**Condition:**

Certain outstanding liabilities were not properly encumbered at December 31, 2011.

Certain goods are ordered or services were rendered prior to a purchase order being approved and issued to a respective vendor.

**Context:**

General Capital Fund contracts totaling \$219,161 were unrecorded at December 31, 2011.

Numerous purchase orders audited, revealed that purchase orders were dated after the date on the respective vendor invoices.

**Effect:**

Improvement authorization balances in the General Capital Fund may not be available for contracts awarded which are not properly encumbered.

Appropriation balances in the Current Fund may not be available for the purchase of goods and/or services which are not properly encumbered.

**Cause:**

Approved purchase orders are not encumbered when contracts are awarded in the General Capital Fund or prior to the acquisition of goods and/or services in the Current Fund.

**Recommendation:**

Internal controls over encumbrances be reviewed and enhanced to ensure approved purchase orders are issued prior to the awarding of Borough contracts and the ordering of goods and/or services.

**Management's Response:**

Management will review internal controls relating to the purchasing/cash disbursements accounting cycle.

**BOROUGH OF NEW MILFORD  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

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 2010-1**

The Borough has failed to implement and maintain a general ledger for the General Capital and other Trust Funds.

**Status**

See Finding 2011-2.

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**BOROUGH OF NEW MILFORD**

**BERGEN COUNTY**

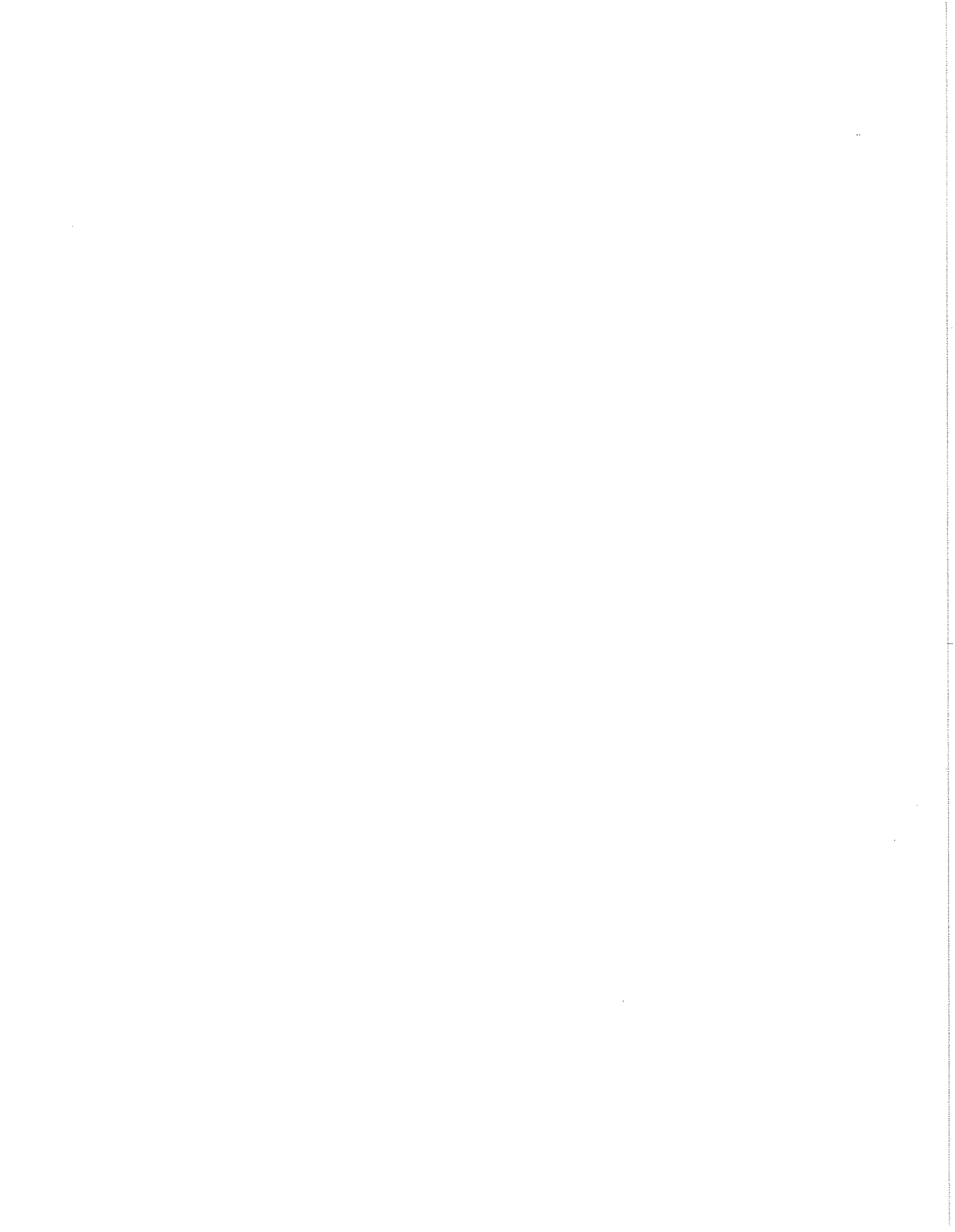
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**PART III**

**SUPPORTING DATA**

**LETTER OF COMMENTS AND RECOMMENDATIONS**

**YEAR ENDED DECEMBER 31, 2011**



**BOROUGH OF NEW MILFORD  
SUPPORTING DATA**

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

	<u>Year 2011</u>		<u>Year 2010</u>		
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
<b>REVENUE AND OTHER INCOME REALIZED</b>					
Fund Balance Utilized	\$ 125,200	0.25 %	\$ 331,500	0.68 %	
Miscellaneous - From Other Than Local					
Property Tax Levies	2,893,238	5.78	2,980,652	6.16	
Collection of Delinquent Taxes and Tax Title Liens	517,086	1.03	391,250	0.81	
Collection of Current Tax Levy	46,236,569	92.31	44,559,574	92.03	
Other Credits to Income	<u>316,055</u>	<u>0.63</u>	<u>153,687</u>	<u>0.32</u>	
 Total Income	 <u>50,088,148</u>	 <u>100.00 %</u>	 <u>48,416,663</u>	 <u>100.00 %</u>	
<b>EXPENDITURES</b>					
Budget Expenditures					
Municipal Purposes	17,758,468	35.53 %	17,411,571	36.05 %	
County Taxes	4,109,757	8.22	4,005,877	8.29	
Local School Taxes	27,774,251	55.57	26,667,423	55.21	
Municipal Open Space Taxes	98,227	0.20	98,231	0.20	
Other Expenditures	<u>237,343</u>	<u>0.47</u>	<u>116,902</u>	<u>0.24</u>	
 Total Expenditures	 <u>49,978,046</u>	 <u>100.00 %</u>	 <u>48,300,004</u>	 <u>100.00 %</u>	
 Excess in Revenues	 110,102		 116,659		
Adjustments to Income Before Fund Balance:					
Expenditures Included Above Which are by					
Statute Deferred Charges to Budget of					
Succeeding Year					
	<u>127,400</u>		<u>-</u>		
 Statutory Excess to Fund Balance	 237,502		 116,659		
 Fund Balance, January 1	 <u>335,695</u>		 <u>550,536</u>		
	573,197		667,195		
Less: Amount of Fund Balance Utilized as Revenue	<u>125,200</u>		<u>331,500</u>		
 Fund Balance, December 31	 <u>\$ 447,997</u>		 <u>\$ 335,695</u>		

**BOROUGH OF NEW MILFORD  
SUPPORTING DATA**

**COMPARATIVE SCHEDULE OF TAX RATE INFORMATION**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<u>Tax Rate</u>	<u>\$2.385</u>	<u>\$2.296</u>	<u>\$2.183</u>
 <u>Apportionment of Tax Rate</u>			
Municipal	.755	.729	.677
Municipal Open Space Tax	.004	.005	.005
Local School	1.416	1.357	1.290
County (Includes County Open Space Tax)	.210	.205	.211

Assessed Valuation Basis

2011	<u>\$1,961,927,237</u>	
2010		<u>\$1,964,597,322</u>
2009		<u>\$1,965,432,055</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>
2011	\$ 46,925,810	\$ 46,236,569	98.53%
2010	45,165,561	44,559,574	98.66%
2009	42,952,794	42,457,280	98.85%

**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>
2011	\$ 10,353	\$ 488,794	\$ 499,147	1.06%
2010	8,958	526,266	535,224	1.19%
2009	7,616	402,897	410,513	0.96%



**BOROUGH OF NEW MILFORD  
SUPPORTING DATA**

**Property Acquired By Tax Title Lien Foreclosure**

No properties have been acquired in 2011 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>
2011	\$-0-
2010	-0-
2009	-0-

**Comparative Schedule Of Fund Balance**

	<u>Year</u>	<u>Balance, December 31,</u>	<u>Utilized in Budget of Succeeding Year</u>
Current Fund	2011	\$447,997	\$130,088
	2010	335,965	125,200
	2009	550,536	331,500
	2008	1,017,742	650,000
	2007	828,160	453,400

**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 (From Nov. 2011)
Randi Duffie	Councilwoman
Celeste Scavetta	Councilwoman
Dominic Colucci	Councilman
Keith Bachmann	Councilman (to May 2011)
Peter Rebsch	Councilman (May 2011 to Nov. 2011)
Mark Polito	Chief Financial Officer
Christine Demiris	Borough Administrator/Clerk
Denise Amoroso	Tax Collector/Assistant Treasurer
Beverly Fenske	Deputy Tax Collector (to Nov. 2011)
Anne Melikian	Deputy Tax Collector (From Nov. 2011)
James Taormina	Construction Official
Alan Silverman	Fire Subcode Official
Maria Sapuppo	Zoning Official
Michael Kingman	Municipal Prosecutor
Susan Armbruster	Acting Municipal Court Administrator
Kevin Kelly	Municipal Court Judge
Maureen Kamen	Assessor
Ralph Leonardi	Fire Chief
Frank Papapietro	Chief of Police
Michael Calamari	Acting Superintendent of Public Works
Alan Silverman	Fire Official
John Bigger	Recreation Director
JoAnn Falcone	Social Services Director (to June 2011)
Donna Foxen	Social Services Director (from June 2011)

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**

Our audit revealed that certain reserves in the Other Trust Fund did not have an approved Dedication by Rider. It is recommended that the Borough have an approved Dedication by Rider for all Trust Fund reserves.

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.
- Checks contain only two signatures.
- Bills are not presented to the Governing body for approval.

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 2011 cash receipts and subsequent cash disbursements in January 2012 are not in agreement with the December 2011 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.

**Current Year**

The audit indicated that there exists certain prior year inactive appropriated grant reserves. It is recommended that the prior year inactive appropriated grant reserves be reviewed and cleared of record.

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 that the Other Trust escrow ledger included old escrow deposits. It is recommended that old escrow deposits be reviewed and cleared of record, where applicable.

The audit revealed that the Borough's fixed asset accounting and reporting system was not properly updated through December 31, 2011 for all assets acquired during the current year. It is recommended that the Borough's fixed asset accounting and reporting system be updated to reflect all current additions.

**BOROUGH OF NEW MILFORD  
SUPPORTING DATA**

**GENERAL COMMENTS (Continued)**

**Current Year (Continued)**

The audit indicated there is no independent verification of Federal and 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 Federal and State payroll deductions by its third party payroll provider.

The audit of the year end financial statements indicates certain interfunds exist as of December 31, 2011. It is recommended that all interfunds be cleared of record.

The audit disclosed that the Borough does not have a formally approved cash management plan and petty cash policy. It is recommended that the Borough prepare and approve a cash management plan and petty cash policy.

The audit revealed that the Chief Financial Officer did not certify that sufficient documentation exists and that funds are available relating to the payment of accumulated absences. It is recommended that the Chief Financial Officer certify that sufficient documentation exists and that funds are available prior to the payment of accumulated absences.

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.

**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 \$29,000. The Borough, by resolution, has increased the bid threshold to \$29,000.

The Governing Body of the Municipality has the responsibility of determining whether the expenditures in any category will exceed \$29,000 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:

- Collection, Removal and Disposal of Recycling Materials
- Hardcastle Pond Phase II and Kennedy Field Lighting
- Sanitary Sewer Improvement Project
- 2011 Riverside Cooperative Road Improvement Program
- Broom Street Sweeper with Belt Conveyor
- Barrier Free Curb Ramps

**BOROUGH OF NEW MILFORD  
SUPPORTING DATA**

**GENERAL COMMENTS**

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

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.

The Governing Body on January 2, 2011, adopted the following resolution authorizing interest to be charged on delinquent taxes:

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

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

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

**Delinquent Taxes and Tax Title Liens**

The last tax sale was held on December 1, 2011 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>
2011	3
2010	3
2009	3

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

**BOROUGH OF NEW MILFORD  
SUPPORTING DATA**

**GENERAL COMMENTS**

Suggestions to Management

It is suggested that:

- Old outstanding checks included on certain Borough bank reconciliations be reviewed and cleared of record.
- The applicability of the requirements of obtaining a service provider opinion for the Borough's health benefits reimbursement company be reviewed.

**BOROUGH OF NEW MILFORD  
SUPPORTING DATA**

**RECOMMENDATIONS**

It is recommended that:

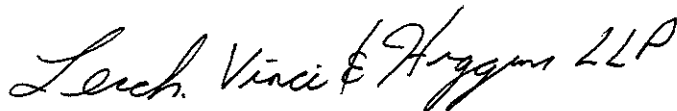
1. Internal controls over financial reporting be reviewed and enhanced to ensure general ledgers reflect all required journal entries.
- \* 2. The Borough implement and maintain a general ledger accounting system for the General Capital Fund and each of the Trust Funds.
3. Internal controls over encumbrances be reviewed and enhanced to ensure approved purchase orders are issued prior to the awarding of Borough contracts and the ordering of goods and/or services.
4. The prior year inactive appropriated grant reserves be reviewed and cleared of record.
5. The application of refunds to Current Fund appropriation reserve balances from prior year expenditures not be made in excess of current year charges.
6. Old escrow deposits be reviewed and cleared of record, where applicable.
- \* 7. The Borough have an approved Dedication by Rider for all Trust Fund reserves.
8. The Borough's fixed asset accounting and reporting system be updated to reflect all current additions.
9. The Borough implement procedures to verify the payment of Federal and State payroll deductions by its third party payroll provider.
10. All interfunds be cleared of record.
11. The Borough prepare and approve a cash management plan and petty cash policy.
12. The Chief Financial Officer certify that sufficient documentation exists and that funds are available prior to the payment of accumulated absences.
- \* 13. The internal controls pertaining to the financial activities of the Recreation Commission be reviewed and enhanced.
- \* 14. Reconciling items on the Municipal Court bank accounts be reviewed and cleared of record and the account shortfalls be remediated.
15. Reports issued by the Municipal Court from the Automated Traffic System be in compliance with the Administrative Office of the Courts Financial Procedures Manual.

Status of Prior Years' Audit Findings/Recommendations

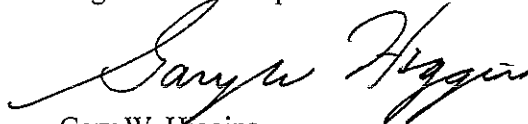
A review was performed on all prior year's recommendations and corrective action was taken on all except those denoted above with an asterisk.

\* \* \* \* \*

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