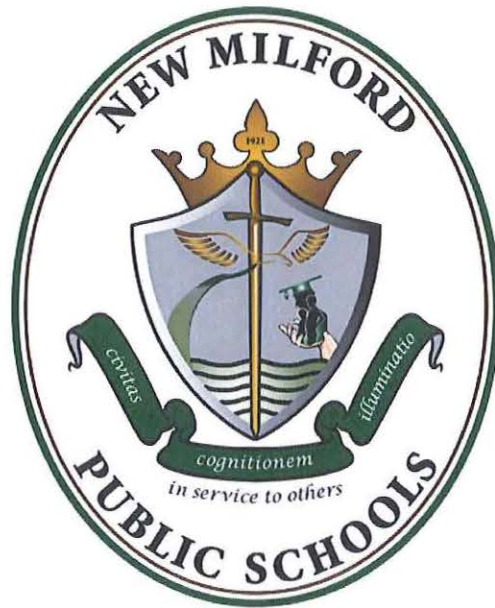


**SCHOOL DISTRICT  
OF  
NEW MILFORD**



**NEW MILFORD BOARD OF EDUCATION  
NEW MILFORD, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**OF THE**

**NEW MILFORD BOARD OF EDUCATION  
NEW MILFORD, NEW JERSEY**

**For the Fiscal Year Ended June 30, 2016**

**Prepared by**

**NEW MILFORD Board of Education  
Business Office**

**NEW MILFORD BOARD OF EDUCATION  
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# **Introductory Section**

**NEW MILFORD BOARD OF EDUCATION**  
**145 Madison Avenue**  
**New Milford, NJ 07646**

November 30, 2016

Honorable President and  
Members of the Board of Education  
New Milford School District  
Bergen County, New Jersey

Dear Board Members and Constituents of New Milford:

The comprehensive annual financial report of the New Milford School District (District) for the fiscal year ended June 30, 2016 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the New Milford Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and the U.S. Uniform Guidance, and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** New Milford School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds of the District are included in this report. The New Milford Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2015-2016 fiscal year with an enrollment of 1997 students, which is 18 students above the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

AVERAGE DAILY ENROLLMENT		
Fiscal Year	Student Enrollment	Percent Change
2015-16	1997	0.91%
2014-15	1979	-2.70%
2013-14	2034	-1.55%
2012-13	2066	0.88%
2011-12	2048	-3.89%
2010-11	2131	1.43%
2009-10	2101	-0.71%
2008-09	2116	4.70%
2007-08	2021	2.38%
2006-07	1974	0.10%

**2) ECONOMIC CONDITION AND OUTLOOK:** With a 2% cap on the tax levy and flat state aid payments, the district is continually faced with balancing a budget where certain key expenditures exceed the mandated revenue cap (in some cases to a great extent). Savings from salary breakage, out-of-district tuitions/busing, increased in-district tuition revenue, etc. have been coupled with cost cutting to resolve this dilemma. Given the outlook for state and local finances and the state pension crisis, this scenario is unlikely to change in the immediate future. The need for new high priority academic programs as well as maintenance and facility replacements/upgrades have been undertaken with the exhaustion of reserve accounts, the use of ROD grants and with miscellaneous revenue sources (e.g. Education Foundation).

**3) MAJOR INITIATIVES:** **Class of 2016** 94% of the graduates plan to receive some form of formal post-secondary education or training. 61% will be attending four year colleges in the Fall. 33% will be participating in two year community college or career training programs. 3% will enter the military. The remaining 3% intend to enter the job market immediately.

**4) INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining internal control designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal awards and state financial assistance, the District also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the District management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal awards and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

**5) BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

**6) DEBT ADMINISTRATION:** At June 30, 2016 the District's outstanding debt issue was \$2,165,000 of general obligation bonds to fund the referendum projects approved by the voters.

**7) CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to Financial Statements", Note 2. The district has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

**8) RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.



**9) OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, CPAs, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related U.S. Uniform Guidance and New Jersey OMB's Circular 15-08. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

**10) ACKNOWLEDGMENTS:**

We would like to express our appreciation to the members of the New Milford School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



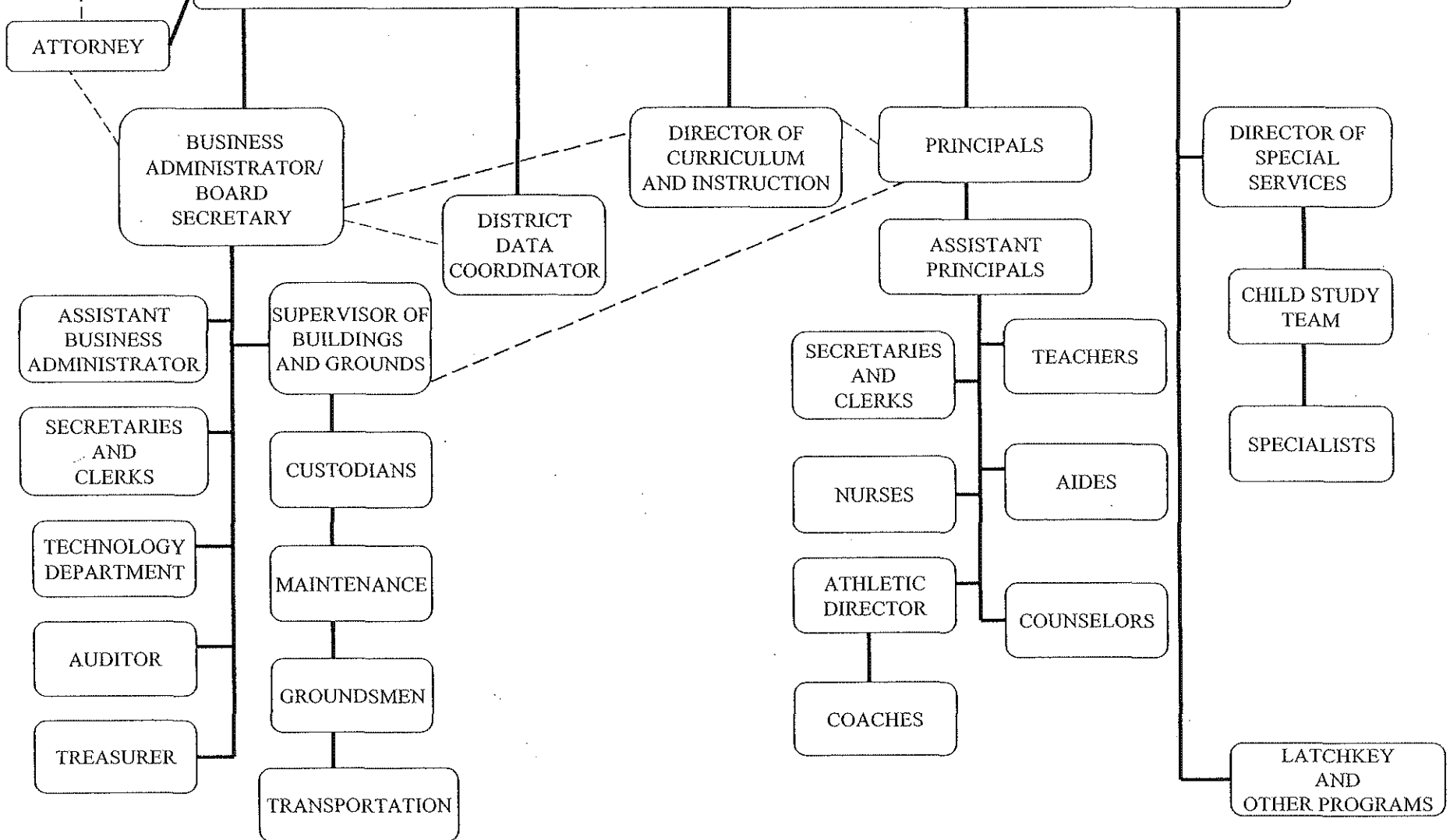
Michael Polizzi  
Superintendent



Michael Sawicz  
Business Administrator

NEW MILFORD BOARD OF EDUCATION

SUPERINTENDENT OF SCHOOLS



AT

**NEW MILFORD BOARD OF EDUCATION  
NEW MILFORD NEW JERSEY**

**ROSTER OF OFFICIALS  
JUNE 30, 2016**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Paige Ryan, President	12/2017
Daniel Conner, Vice-President	12/2017
John Heinemann	12/2017
John Bigger	12/2016
Judith Rabinowitz-McSweeney	12/2016
Christopher Ryan	12/2016
Laura O'Grady	12/2018
Joseph Steele	12/2018
Christine Giancola	12/2018

**Other Officials**

Michael Polizzi, Superintendent

Michael Sawicz, Business Administrator/Board Secretary

Denise Amoroso, Treasurer

Steven Fogarty, Esq., Solicitor

# **NEW MILFORD BOARD OF EDUCATION**

## **Consultants and Advisors**

### **Architect**

DiCara-Rubino Architects  
30 Galesi Drive  
Wayne, NJ 07470

### **Audit Firm**

Lerch, Vinci & Higgins  
17-17 Route 208  
Fair Lawn, NJ 07410

### **Attorney**

Steven Fogarty  
Fogarty & Hara  
16-00 Route 208 South  
Fairlawn, NJ 07410

### **Official Depository**

Oritani Bank  
Washington Township Office

**FINANCIAL SECTION**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

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

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. NICOLosi, CPA  
ROBERT AMPONSAH, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Trustees  
New Milford Board of Education  
New Milford, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Milford Board of Education, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Milford Board of Education as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Milford Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the New Milford Board of Education.

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

The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2016 on our consideration of the New Milford Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the New Milford Board of Education's internal control over financial reporting and compliance.

*Lerch, Vinci & Higgins, LLP*

LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants

*Donna L. Japhet*

Donna L. Japhet  
Public School Accountant  
PSA Number CS002314

Fair Lawn, New Jersey  
November 30, 2016



**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

This section of the New Milford Board of Education's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain comparative information between the current year (2015-2016) and the prior year (2014-2015) is required to be presented in the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-2016 fiscal year include the following:

- The assets and deferred outflows of resources of the New Milford School District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$14,513,045 (net position).
- Overall District revenues were \$43,427,885 which were \$108,559 greater than overall District expenses of \$43,319,326. General revenues accounted for \$31,545,701 or 73% of all revenues. Program specific revenues in the form of charges for services, grants and contributions account for \$11,882,184 or 27% of total revenues.
- The School District had \$42,067,053 in expenses for governmental activities; only \$10,677,884 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) and transfer of \$31,544,420 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,197,240. Of that amount, \$114,367 (4%) is available for spending at the District's discretion (unassigned fund balance).
- The General Fund unassigned fund balance was \$114,367 at June 30, 2016, an increase of \$2,284 when compared with the beginning balance at July 1, 2015 of \$112,083.
- The General Fund unassigned budgetary basis fund balance at June 30, 2016 was \$706,786, which represents an decrease of \$16,892 compared to the ending budgetary basis fund balance at June 30, 2015 of \$723,678.

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

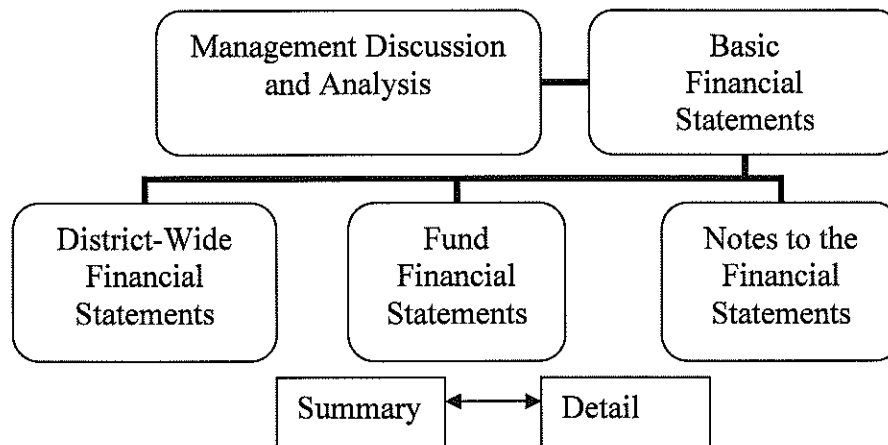
Fiscal Year Ended June 30, 2016

### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information which includes the management’s discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the District, reporting the District’s operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services were financed in the *short term* as well as what remains for future spending
- *Proprietary funds statements* offer *short-term* and *long-term* financial information about the activities the district operated like *businesses*.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The Figure below shows how the various parts of this annual report are arranged and related to one another.



# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

**Fiscal Year Ended June 30, 2016**

The following table summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

### Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
<b>Scope</b>	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction; building maintenance, transportation, and administration.	Activities the district operates similar to private businesses; food service, lunch key and summer/enrichment programs.	Instances in which the district administers resources on behalf of someone else, such as unemployment, student activities, and payroll deductions.
<b>Required Financial Statements</b>	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenue Expenditures and changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses and changes in Fund Net Position Statement of Cash Flows	Statements of Fiduciary Net Position Statement of changes in Fiduciary Net Position
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of Asset/Deferred Outflows/Inflows of Resources/Liability Information</b>	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All assets and liabilities both short and long-term funds do not currently contain capital assets although they can
<b>Type of Inflow/Outflow Information</b>	All revenues and expenses during the year, regardless of when cash is received and the related liability is due and payable	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and deductions during the year, regardless of when cash is received or paid.

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

### District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the district's assets, deferred outflows/inflows of resources and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the Districts *net position* and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial condition is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statement's the District's activities are shown in two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, and community education. Property taxes and State and Federal aids finance most of these activities.
- *Business-type activities* – The District charges fees to customers to help it cover the costs of certain services it provides. The District's food service, latchkey program, summer program and after school enrichment programs are included here.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or “major” funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g. repaying its long-term debts) or to show that it is properly using certain revenues (e.g. Federal funds).

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

The District has three kinds of funds:

- *Governmental funds* – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences between them).
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
  - *Enterprise Funds* – These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has four enterprise funds for its food service operations, latchkey, summer (“Broadway Kids”) program and after school enrichment programs.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets that belong to others such as scholarship fund, payroll and payroll agency funds, and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found following the financial statements.

### Other Information

In addition to the financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District’s budget process. The District adopts an annual expenditure budget for the general, special revenue and debt service funds. A budgetary comparison statement has been provided for the general and special revenue funds as required supplementary information. The required supplementary information can be found following the notes to the financial statements.

The District also present required supplementary information regarding the accounting and reporting for pensions as required under GASB Statement No. 68. The required supplementary information can be found following the notes to the financial statements.

Combining statements and schedules are presented immediately following the major budgetary comparisons.

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The district's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following provides a summary of the school district's net position for 2016 and 2015.

**Net Position.** The District's *combined* net position were \$14,513,045 on June 30, 2016 and \$14,404,486 on June 30, 2015, respectively.

**Statement of Net Position  
As of June 30, 2016 and 2015**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 4,345,537	\$ 4,097,668	\$ 617,389	\$ 633,179	\$ 4,962,926	\$ 4,730,847
Capital Assets	<u>22,930,628</u>	<u>23,095,475</u>	<u>73,037</u>	<u>87,431</u>	<u>23,003,665</u>	<u>23,182,906</u>
<b>Total Assets</b>	<u>27,276,165</u>	<u>27,193,143</u>	<u>690,426</u>	<u>720,610</u>	<u>27,966,591</u>	<u>27,913,753</u>
Deferred Amounts on Refunding of Debt	28,778	38,390	-	-	28,778	38,390
Deferred Amounts on Net Pension Liability	<u>1,893,597</u>	<u>757,243</u>	<u>-</u>	<u>-</u>	<u>1,893,597</u>	<u>757,243</u>
<b>Total Deferred Outflows of Resources</b>	<u>1,922,375</u>	<u>795,633</u>	<u>-</u>	<u>-</u>	<u>1,922,375</u>	<u>795,633</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>29,198,540</u>	<u>27,988,776</u>	<u>690,426</u>	<u>720,610</u>	<u>29,888,966</u>	<u>28,709,386</u>
Long-Term Liabilities	13,933,511	12,702,297			13,933,511	12,702,297
Other Liabilities	<u>1,284,840</u>	<u>996,808</u>	<u>79,489</u>	<u>64,427</u>	<u>1,061,235</u>	<u>1,061,235</u>
<b>Total Liabilities</b>	<u>15,218,351</u>	<u>13,699,105</u>	<u>79,489</u>	<u>64,427</u>	<u>14,994,746</u>	<u>13,763,532</u>
Deferred Amounts on Net Pension Liability	176,635	541,368	-	-	176,635	541,368
Deferred Commodities Revenue	<u>-</u>	<u>-</u>	<u>1,446</u>	<u>-</u>	<u>1,446</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<u>176,635</u>	<u>541,368</u>	<u>1,446</u>	<u>-</u>	<u>178,081</u>	<u>541,368</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>15,394,986</u>	<u>14,240,473</u>	<u>80,935</u>	<u>64,427</u>	<u>15,172,827</u>	<u>14,304,900</u>
Net Investment in Capital Assets	20,466,995	20,009,921	73,037	87,431	20,540,032	20,097,352
Restricted	547,609	852,217			547,609	852,217
Unrestricted	<u>(7,111,050)</u>	<u>(7,113,835)</u>	<u>536,454</u>	<u>568,752</u>	<u>(6,574,596)</u>	<u>(6,545,083)</u>
<b>Total Net Position</b>	<u>\$ 13,903,554</u>	<u>\$ 13,748,303</u>	<u>\$ 609,491</u>	<u>\$ 656,183</u>	<u>\$ 14,513,045</u>	<u>\$ 14,404,486</u>



# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

### Fiscal Year Ended June 30, 2016

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following shows changes in net position for fiscal years 2016 and 2015.

#### Change in Net Position For the Fiscal Years Ended June 30, 2016 and 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 410,227	\$ 379,164	\$ 1,009,547	\$ 950,948	\$ 1,419,774	\$ 1,330,112
Operating Grants and Contributions	10,267,657	9,297,379	194,753	171,149	10,462,410	9,468,528
Capital Grants and Contributions		798,271			-	798,271
General Revenues						
Property Taxes	31,087,736	29,935,954			31,087,736	29,935,954
State Aid - Unrestricted	365,248	363,388			365,248	363,388
Other	89,467	90,857	3,250	949	92,717	91,806
<b>Total Revenues</b>	<u>42,220,335</u>	<u>40,865,013</u>	<u>1,207,550</u>	<u>1,123,046</u>	<u>43,427,885</u>	<u>41,988,059</u>
<b>Expenses</b>						
Instruction						
Regular	16,374,576	16,008,564			16,374,576	16,008,564
Special Education	6,604,863	6,070,665			6,604,863	6,070,665
Other Instruction	580,206	504,294			580,206	504,294
School Sponsored Activities and Athletics	1,197,498	1,090,855			1,197,498	1,090,855
Support Services						
Student and Instruction Related Services	6,056,812	6,151,420			6,056,812	6,151,420
General Administrative Services	987,168	1,240,434			987,168	1,240,434
School Administrative Services	3,044,203	2,637,528			3,044,203	2,637,528
Central and Other Support Services	1,119,086	1,142,404			1,119,086	1,142,404
Plant Operation and Maintenance	4,842,898	4,576,492			4,842,898	4,576,492
Pupil Transportation	1,174,887	1,028,715			1,174,887	1,028,715
Interest on Debt	84,856	98,437			84,856	98,437
Food Service			758,581	688,173	758,581	688,173
Knight Care Latchkey Program			470,431	404,012	470,431	404,012
Broadway Kids Summer Program			17,080	18,407	17,080	18,407
After School Enrichment Program	-	-	6,181	13,062	6,181	13,062
<b>Total Expenses</b>	<u>42,067,053</u>	<u>40,549,808</u>	<u>1,252,273</u>	<u>1,123,654</u>	<u>43,319,326</u>	<u>41,673,462</u>
Increase (Decrease) in Net Position Before Transfers	153,282	315,205	(44,723)	(608)	108,559	314,597
Transfers	1,969	-	(1,969)	-	-	-
Change in Net Position	155,251	315,205	(46,692)	(608)	108,559	314,597
<b>Beginning of Year, Net Position</b>	<u>13,748,303</u>	<u>13,433,098</u>	<u>656,183</u>	<u>656,791</u>	<u>14,404,486</u>	<u>14,089,889</u>
<b>End of Year, Net Position</b>	<u>\$ 13,903,554</u>	<u>\$ 13,748,303</u>	<u>\$ 609,491</u>	<u>\$ 656,183</u>	<u>\$ 14,513,045</u>	<u>\$ 14,404,486</u>

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

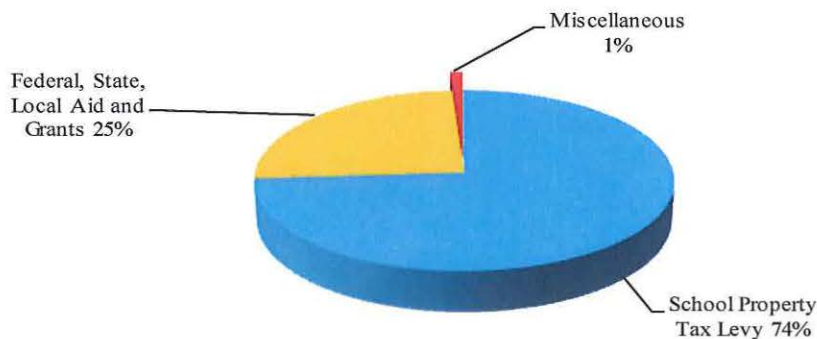
### Fiscal Year Ended June 30, 2016

**Governmental Activities.** The District's total governmental activities' revenues, which includes State and Federal grants, were \$42,220,335 for the fiscal year ended June 30, 2016, property taxes of \$31,087,736 represented 74% of revenues. Another significant portion of revenues came from grants and contributions; total State, Federal and Local Aid and Grants were \$10,632,905 and represented 25% of revenues. In addition, tuition, transportation fees and miscellaneous income is earned which includes items such as interest, prior year refunds and other miscellaneous items.

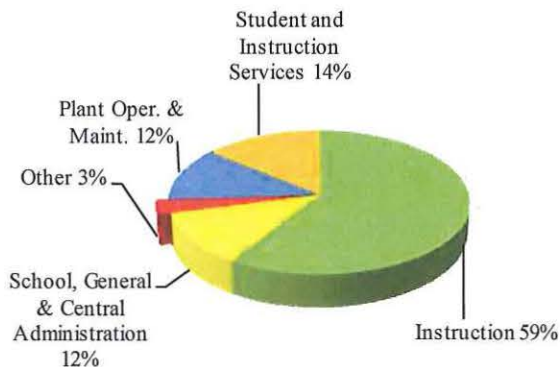
The total cost of all governmental activities programs and services was \$42,067,053. The district's expenses are predominantly related to educating and caring for students. Instruction totaled \$24,757,143 (59%) of total expenses. Support services, total \$17,225,054 (41%) of total expenses. Interest on debt totals \$84,856, 1% of total expenses.

Total governmental activities revenues and transfers exceeded expenses, increasing net position by \$155,251 from the previous year.

Revenues by Type – Governmental Activities  
For Fiscal Year 2016



Expenses by Type – Governmental Activities For Fiscal Year 2016



# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

**Fiscal Year Ended June 30, 2016**

**Total and Net Cost of Governmental Activities.** The District's total cost of services was \$42,067,053. After applying program revenues, derived from operating and capital grants and contributions of \$10,267,657, and charges for services of \$410,227, the net cost of services of the District is \$31,389,169.

### Total and Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2016 and 2015

Governmental Activities	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction				
Regular	\$ 16,374,576	\$ 16,008,564	\$ 11,664,666	\$ 11,859,438
Special Education	6,604,863	6,070,665	3,181,295	2,759,034
Other Instruction	580,206	504,294	460,997	352,146
School Sponsored Activities and Athletics	1,197,498	1,090,855	1,165,968	1,090,855
Support Services				
Student and Instruction Related Services	6,056,812	6,151,420	4,675,338	5,049,937
General Administration	987,168	1,240,434	909,247	1,105,634
School Administration Services	3,044,203	2,637,528	2,355,611	2,099,507
Central and Other Support Services	1,119,086	1,142,404	1,042,278	1,074,862
Plant Operation and Maintenance	4,842,898	4,576,492	4,801,418	3,736,857
Pupil Transportation	1,174,887	1,028,715	1,047,495	848,287
Interest on Debt	84,856	98,437	84,856	98,437
<b>Total Governmental Activities</b>	<b>\$ 42,067,053</b>	<b>\$ 40,549,808</b>	<b>\$ 31,389,169</b>	<b>\$ 30,074,994</b>

### **Business-Type Activities**

The cost of Business-Type Activities for the fiscal year ended June 30, 2016 was \$1,252,273. These costs were funded by charges for services of \$1,009,547 (84%) and operating grants of \$194,753 (16%), as detailed in the change in net position schedule.

Total business-type activities expenses and transfer surpassed revenues, decreasing net position by \$46,692 from the previous year.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$3,197,240 at June 30, 2016 compared to a combined fund balance of \$3,147,707 at June 30, 2015.

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

Fiscal Year Ended June 30, 2016

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

Revenues for the District's governmental funds were \$38,355,258, while total expenditures were \$38,307,694.

#### GENERAL FUND

The General fund includes the primary operations of the District in providing educational services to students from Kindergarten through Grade 12 including pupil transportation, activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

#### Summary of General Fund Revenues (GAAP Basis) For the Fiscal Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	Amount of Increase (Decrease)	Percent Change
<b>Revenues</b>				
Local Sources:				
Property Tax Levy	\$ 30,557,436	\$ 29,412,229	\$ 1,145,207	4%
Tuition	396,222	348,161	48,061	14%
Transportation	14,005	31,003	(16,998)	-55%
Interest	21,585	19,886	1,699	9%
Miscellaneous	67,882	70,281	(2,399)	-3%
State Sources	5,568,524	5,029,902	538,622	11%
Federal Sources	<u>2,355</u>	<u>4,323</u>	<u>(1,968)</u>	-46%
<b>Total Revenues</b>	<u>\$ 36,628,009</u>	<u>\$ 34,915,785</u>	<u>\$ 1,712,224</u>	5%

The majority of revenues come from property taxes which accounted for 83% of total revenue while state sources represented 15% of total revenue for the 2016 fiscal year.

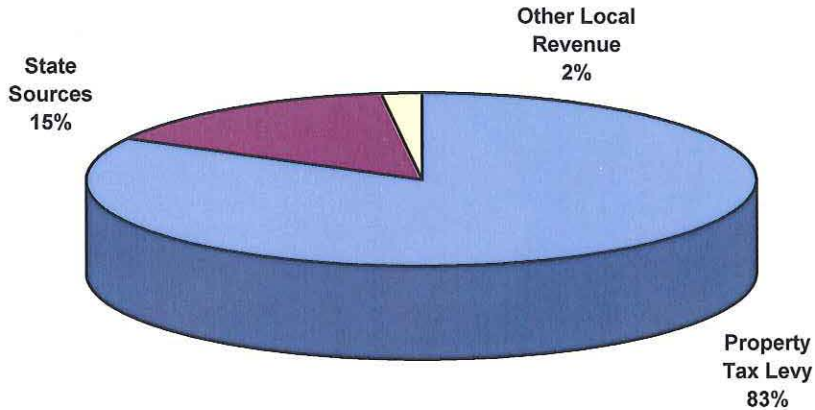
Total General Fund revenues increased by \$1,712,224 or 5% compared with the previous year. The increase in property tax revenues and on-behalf state revenues were largely attributable for the increase. Local property taxes increased 4% from the previous year. State aid revenues increased \$538,622 or 11% predominantly attributable to the increase in the State's contribution for on-behalf TPAF pension system normal costs and accrued liability costs. Tuition revenues increased due to a significant increase in enrollment of students received from outside the district.

**NEW MILFORD BOARD OF EDUCATION**

**Management Discussion and Analysis**

**Fiscal Year Ended June 30, 2016**

**General Fund  
Revenues by Source  
For the Fiscal Year Ended June 30, 2016**



The following schedule presents a summary of General Fund expenditures.

**Summary of General Fund Expenditures (GAAP Basis)  
For the Fiscal Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	Amount of Increase (Decrease)	Percent Change
<b>Expenditures</b>				
Instruction	\$ 20,842,469	\$ 20,040,857	\$ 801,612	4%
Support Services	14,936,247	14,979,546	(43,299)	0%
Debt Service	236,835	221,942	14,893	7%
Capital Outlay	<u>517,441</u>	<u>271,231</u>	<u>246,210</u>	91%
<b>Total Expenditures</b>	<u>\$ 36,532,992</u>	<u>\$ 35,513,576</u>	<u>\$ 1,019,416</u>	3%

Total General Fund expenditures increased \$1,019,416 or 3% from the previous year. Instruction represented 57% of total expenditures while support services accounted for 41% of total expenditures for the 2016 fiscal year. The significant increase in capital outlay is largely attributable to the expenditures in conjunction with Middle School conversion to IBC and the installation of elevator at the High School projects during the year. These projects were funded by the appropriations of capital reserve funds. The areas of regular instruction and the functions included in student and instruction related support services also experienced significant increases over the prior year.

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

### Fiscal Year Ended June 30, 2016

For the 2015-2016 school year general fund revenues and other financing sources exceeded expenditures by \$96,986. After adjusting for restricted and assigned fund balances, the unassigned fund balance increased from \$112,083 at June 30, 2015 to \$114,367 at June 30, 2016. Consequently, the district has \$863,035 of restricted excess surplus from the current year operations compared to \$831,014 excess surplus at June 30, 2015 from prior year (2014/2015) operations.

#### CAPITAL PROJECTS AND DEBT ADMINISTRATION

**Capital Assets.** At the end of fiscal years 2016 and 2015, the school district had invested in land and land improvements, buildings, furniture, machinery and equipment and construction in progress as follows:

#### Capital Assets As of June 30, 2016 and 2015

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 3,255,000	\$ 3,255,000			\$ 3,255,000	\$ 3,255,000
Land Improvements	1,563,245	1,563,245			1,563,245	1,563,245
Buildings and Building Improvements	27,097,367	27,097,367			27,097,367	27,097,367
Machinery and Equipment	3,609,518	3,354,734	\$ 227,686	\$ 227,686	3,837,204	3,582,420
Construction in Progress	1,035,340	763,843	-	-	1,035,340	763,843
Total	36,560,470	36,034,189	227,686	227,686	36,788,156	36,261,875
Less: Accumulated Depreciation	<u>(13,629,842)</u>	<u>(12,938,714)</u>	<u>(154,649)</u>	<u>(140,255)</u>	<u>(13,784,491)</u>	<u>(13,078,969)</u>
Total Capital Assets, Net	<u>\$ 22,930,628</u>	<u>\$ 23,095,475</u>	<u>\$ 73,037</u>	<u>\$ 87,431</u>	<u>\$ 23,003,665</u>	<u>\$ 23,182,906</u>

Additional information on the District's capital assets is presented in Note 3 of this report.

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

### Fiscal Year Ended June 30, 2016

**Debt Administration.** As of June 30, 2016 and 2015 the school district had long-term debt and outstanding long-term liabilities in the amount of \$13,933,511 and \$12,702,297, respectively, as follows:

#### Outstanding Long-Term Liabilities

As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Serial Bonds Payable (Including Unamortized Premium)	\$ 2,239,973	\$ 2,700,013
Capital Leases Payable	252,438	423,931
Lease Purchase Agreements Payable	52,863	102,917
Compensated Absences Payable	402,181	391,253
Net Pension Liability	<u>10,986,056</u>	<u>9,084,183</u>
Total	<u>\$ 13,933,511</u>	<u>\$ 12,702,297</u>

Additional information on the District's long-term liabilities is presented in Note 3 of this report.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into the following categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and budgeting for gifts and donations.
- Reinstating prior year purchase orders being carried over.
- Increases in appropriations for significant unbudgeted costs.

Revisions in the budget were made through budget transfers and to appropriate additional fund balance to prevent over expenditures in specific line item accounts. There were certain revisions to the budget during the year other than the reappropriation of prior year encumbrances. These revisions were as follows:

# **NEW MILFORD BOARD OF EDUCATION**

## **Management Discussion and Analysis**

**Fiscal Year Ended June 30, 2016**

### **GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)**

- Withdrawal totaling \$548,372 from capital reserve to fund various local projects.
- Withdrawals totaling \$142,000 from maintenance reserve to fund various required maintenance expenses.

General Fund budgetary basis revenues and other financing sources exceeded budgetary basis expenditures, increasing budgetary basis fund balance by \$77,810 from the previous year. After deducting restricted and assigned fund balances, the unassigned budgetary fund balance decreased \$16,892 from \$723,678 at June 30, 2015 to \$706,786 at June 30, 2016. In addition, the District restricted fund balance for excess surplus increased to \$863,035 at June 30, 2016 compared to \$831,014 excess surplus at June 30, 2015.

### **FACTORS BEARING ON THE DISTRICT'S FUTURE**

Continued increasing enrollments will pose a challenge to the annual operating budget as additional staff members and resources are required to maintain a comprehensive educational program. In addition, spiraling health benefits and special education costs continue to negatively impact the district's budget. Budget increases have remained comparatively low in the past few years due mainly to a high retirement rate. As the pool of retirees dwindles, less money will be available from "breakage" to cover increasing operating expenses. Flat State Aid levels will only enhance the budget problems.

Many construction and renovation projects will be staged in various parts of the district. State legislation entitled the "Educational Facilities Construction and Financing Act" has partially funded major construction and improvement projects for the district. Complete information relating to this topic is available by reviewing the School District's Long Range Facilities Plan on file in the School Business Administrator's office.

These factors were considered when adopting the budget for fiscal year 2016-2017. Budgeted expenditures in the General Fund decreased approximately three percent (1%) to \$35,069,056 in fiscal year 2016-2017.



# **NEW MILFORD BOARD OF EDUCATION**

## **Management Discussion and Analysis**

**Fiscal Year Ended June 30, 2016**

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Business Office, New Milford Board of Education, 145 Madison Avenue, New Milford, NJ 07646.

Telephone: (201) 261-2952

Fax: (201) 261-8018

**DISTRICT-WIDE FINANCIAL STATEMENTS**

**NEW MILFORD BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,093,787	\$ 562,795	\$ 4,656,582
Receivables, Net:			
Receivables from Other Governments	325,206	29,363	354,569
Other	43,659	1,901	45,560
Internal Balances	(17,115)	17,115	
Inventories		6,215	6,215
Capital Assets Not Being Depreciated	4,290,340		4,290,340
Capital Assets, Being Depreciation	18,640,288	73,037	18,713,325
 Total Assets	 <u>27,376,165</u>	 <u>690,426</u>	 <u>28,066,591</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding of Debt	28,778		28,778
Deferred Amounts on Net Pension Liability	1,893,597	-	1,893,597
 Total Deferred Outflows of Resources	 <u>1,922,375</u>	 <u>-</u>	 <u>1,922,375</u>
 Total Assets and Deferred Outflows of Resources	 <u>29,298,540</u>	 <u>690,426</u>	 <u>29,988,966</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	1,153,657	60,998	1,214,655
Payable to Other Governments	65,618		65,618
Accrued Interest Payable	36,543		36,543
Unearned Revenue	29,022	18,491	47,513
Noncurrent Liabilities :			
Due Within One Year	687,709		687,709
Due Beyond One Year	13,245,802	-	13,245,802
 Total Liabilities	 <u>15,218,351</u>	 <u>79,489</u>	 <u>15,297,840</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**NEW MILFORD BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amounts on Net Pension Liability	\$ 176,635	-	\$ 176,635
Deferred Commodities Revenue	-	\$ 1,446	1,446
Total Deferred Inflows of Resources	<u>176,635</u>	<u>1,446</u>	<u>178,081</u>
Total Liabilities and Deferred Inflows of Resources	<u>15,394,986</u>	<u>\$ 80,935</u>	<u>15,475,921</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	20,466,995	73,037	20,540,032
Restricted for:			
Capital Projects	528,735		528,735
Plant Maintenance	18,874		18,874
Unrestricted	<u>(7,111,050)</u>	<u>536,454</u>	<u>(6,574,596)</u>
Total Net Position	<u>\$ 13,903,554</u>	<u>\$ 609,491</u>	<u>\$ 14,513,045</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**NEW MILFORD BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Governmental Activities</b>							
Instruction:							
Regular	\$ 16,374,576		\$ 4,709,910		\$ (11,664,666)		\$ (11,664,666)
Special Education	6,604,863	\$ 396,222	3,027,346		(3,181,295)		(3,181,295)
Other Instruction	580,206		119,209		(460,997)		(460,997)
School Sponsored Activities and Athletics	1,197,498		31,530		(1,165,968)		(1,165,968)
<b>Support Services</b>							
Student and Instruction Related Services	6,056,812		1,381,474		(4,675,338)		(4,675,338)
General Administrative Services	987,168		77,921		(909,247)		(909,247)
School Administrative Services	3,044,203		688,592		(2,355,611)		(2,355,611)
Central and Other Support Services	1,119,086		76,808		(1,042,278)		(1,042,278)
Plant Operations and Maintenance	4,842,898		41,480		(4,801,418)		(4,801,418)
Pupil Transportation	1,174,887	14,005	113,387		(1,047,495)		(1,047,495)
Interest on Debt	84,856	-	-	-	(84,856)	-	(84,856)
<b>Total Governmental Activities</b>	<b>42,067,053</b>	<b>410,227</b>	<b>10,267,657</b>	<b>-</b>	<b>(31,389,169)</b>	<b>-</b>	<b>(31,389,169)</b>
<b>Business-Type Activities</b>							
Food Service	758,581	611,632	194,753			\$ 47,804	47,804
Knight Care Latch Key Program	470,431	369,270				(101,161)	(101,161)
Broadway Kids Summer Program	17,080	18,875		-	-	1,795	1,795
After School Enrichment Program	6,181	9,770	-	-	-	3,589	3,589
<b>Total Business-Type Activities</b>	<b>1,252,273</b>	<b>1,009,547</b>	<b>194,753</b>	<b>-</b>	<b>-</b>	<b>(47,973)</b>	<b>(47,973)</b>
<b>Total Primary Government</b>	<b>\$ 43,319,326</b>	<b>\$ 1,419,774</b>	<b>\$ 10,462,410</b>	<b>\$ -</b>	<b>(31,389,169)</b>	<b>(47,973)</b>	<b>(31,437,142)</b>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**NEW MILFORD BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>Net (Expense) Revenue and Changes in Net Position</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>General Revenues:</b>			
Property Taxes:			
Levied for General Purposes	\$ 30,557,436		\$ 30,557,436
Levied for Debt Service	530,300		530,300
State Aid, Unrestricted	365,248		365,248
Interest Income	21,585	\$ 3,250	24,835
Miscellaneous Income	67,882	-	67,882
<b>Transfers</b>	1,969	(1,969)	-
Total General Revenues and Transfers	31,544,420	1,281	31,545,701
Change in Net Position	155,251	(46,692)	108,559
Net Position, Beginning of Year	13,748,303	656,183	14,404,486
Net Position, End of Year	\$ 13,903,554	\$ 609,491	\$ 14,513,045

The accompanying Notes to the Financial Statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**

**NEW MILFORD BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,676,371		\$ 417,416		\$ 4,093,787
Receivables, Net					
Receivables from Other Governments	41,774	\$ 283,432			325,206
Accounts	22,448	21,105			43,553
Due from Other Funds	55,138	-	-	-	55,138
	<u>3,795,731</u>	<u>304,537</u>	<u>417,416</u>	<u>-</u>	<u>4,517,684</u>
Total Assets	<u>\$ 3,795,731</u>	<u>\$ 304,537</u>	<u>\$ 417,416</u>	<u>\$ -</u>	<u>\$ 4,517,684</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 814,586	\$ 154,865			\$ 969,451
Accrued Salaries and Wages	109,477				109,477
Compensated Absences Payable	74,729				74,729
Payable to State Government		65,618			65,618
Due to Other Funds	17,115	55,032	-	-	72,147
Unearned Revenue	-	29,022	-	-	29,022
	<u>1,015,907</u>	<u>304,537</u>	<u>-</u>	<u>-</u>	<u>1,320,444</u>
Fund Balances					
Restricted Fund Balance					
Capital Reserve	111,319				111,319
Maintenance Reserve	18,874				18,874
Emergency Reserve	285,199				285,199
Excess Surplus (2017/18 Budget)	863,035				863,035
Excess Surplus - Designated for Subsequent Year's Budget (2016/17 Budget)	831,014				831,014
Capital Projects			\$ 417,416		417,416
Committed Fund Balance					
Year End Encumbrances	305,410				305,410
Assigned Fund Balance					
Year End Encumbrances	250,606				250,606
Unassigned Fund Balance					
General Fund	114,367	-	-	-	114,367
	<u>2,779,824</u>	<u>-</u>	<u>417,416</u>	<u>-</u>	<u>3,197,240</u>
Total Fund Balances	<u>2,779,824</u>	<u>-</u>	<u>417,416</u>	<u>-</u>	<u>3,197,240</u>
Total Liabilities and Fund Balances	<u>\$ 3,795,731</u>	<u>\$ 304,537</u>	<u>\$ 417,416</u>	<u>\$ -</u>	<u>\$ 4,517,684</u>



**NEW MILFORD BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2016**

**Total Fund Balances (Exhibit B-1)** \$ 3,197,240

Amounts reported for *governmental activities* in the Statement of Net Position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$36,560,470 and the accumulated depreciation is \$13,629,842.

22,930,628

The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is:

(36,543)

Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.

Deferred Outflows of Resources	\$ 1,893,597	
Deferred Inflows of Resources	<u>(176,635)</u>	

1,716,962

Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt.

28,778

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds

General Obligation Bonds Payable	\$ (2,165,000)	
Add: Premium on Issuance	(74,973)	
Capital Leases Payable	(252,438)	
Lease Purchase Agreements Payable	(52,863)	
Compensated Absences Payable	(402,181)	
Net Pension Liability	<u>(10,986,056)</u>	

(13,933,511)

**Net Position of Governmental Activities (Exhibit A-1)** **\$ 13,903,554**

**NEW MILFORD BOARD OF EDUCATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Local Sources					
Property Tax Levy	\$ 30,557,436			\$ 530,300	\$ 31,087,736
Tuition	396,222				396,222
Transportation Fees	14,005				14,005
Interest	21,585				21,585
Miscellaneous	67,882	\$ 31,636	-	-	99,518
Total - Local Sources	31,057,130	31,636	-	530,300	31,619,066
State Sources	5,568,524	361,463			5,929,987
Federal Sources	2,355	803,850	-	-	806,205
Total Revenues	36,628,009	1,196,949	-	530,300	38,355,258
<b>EXPENDITURES</b>					
Instruction					
Regular	13,522,501	523,902			14,046,403
Special Education	5,699,002	366,634			6,065,636
Other Instruction	486,507	35,319			521,826
School-Sponsored Activities and Athletics	1,134,459				1,134,459
Support Services					
Student and Instruction Related Services	5,124,317	261,104			5,385,421
General Administrative Services	881,007		\$ 47,453		928,460
School Administrative Services	2,631,224				2,631,224
Central and Other Support Services	1,003,752				1,003,752
Plant Operations and Maintenance	4,181,215				4,181,215
Pupil Transportation	1,114,732				1,114,732
Debt Service					
Principal	221,547			435,000	656,547
Interest and Other Charges	15,288			95,300	110,588
Capital Outlay	517,441	9,990	-	-	527,431
Total Expenditures	36,532,992	1,196,949	47,453	530,300	38,307,694
Excess (Deficiency) of Revenues Over/(Under) Expenditures	95,017	-	(47,453)	-	47,564
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	1,969	-	-	-	1,969
Total Other Financing Sources and Uses	1,969	-	-	-	1,969
Net Change in Fund Balances	96,986	-	(47,453)	-	49,533
Fund Balance, Beginning of Year	2,682,838	-	464,869	-	3,147,707
Fund Balance, End of Year	\$ 2,779,824	\$ -	\$ 417,416	\$ -	\$ 3,197,240

**NEW MILFORD BOARD OF EDUCATION  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
WITH THE DISTRICT-WIDE STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)** \$ 49,533

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.

Capital Outlay	\$ 527,431	
Depreciation Expense	<u>(691,128)</u>	
		(163,697)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales disposals, donations) is to increase net position. These transactions are not reported in the governmental fund financial statements

Loss on Disposal of Capital Assets		(1,150)
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In the statement of activities, certain operating expenses - compensated absences and pension expense are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used (paid):

Net Increase in Compensated Absences		(10,928)
Increase in Pension Expense		(400,786)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Capital Leases	171,493	
Lease Purchase Agreements	50,054	
Serial Bonds	<u>435,000</u>	
		656,547

In the statement of activities, costs related to the issuance of long term debt are deferred and amortized over the term of the debt. This amount represents the current year amortization of the costs related to the issuance of long term debt in previous years.

Deferred Amount on Refunding of Debt	(9,612)	
Original Issue Premium	<u>25,040</u>	
		15,428

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest		<u>10,304</u>
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**Change in Net Position of Governmental Activities (Exhibit A-2)** **\$ 155,251**

**NEW MILFORD BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2016**

**Business-Type Activities - Enterprise Fund**

	<u>Food Service</u>	<u>Knight Care Latchkey Program</u>	<u>Non-Major Enterprise Funds</u>	<u>Totals</u>
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 255,661	\$ 274,465	\$ 32,669	\$ 562,795
Intergovernmental Receivable, Net				
Federal	28,282			28,282
State	1,081			1,081
Accounts Receivable- Other	1,611	290		1,901
Due from Other Funds	19,905			19,905
Inventories	6,215	-	-	6,215
Total Current Assets	<u>312,755</u>	<u>274,755</u>	<u>32,669</u>	<u>620,179</u>
Capital Assets				
Equipment	87,341	140,345		227,686
Less: Accumulated Depreciation	(67,443)	(87,206)	-	(154,649)
Total Capital Assets, Net	<u>19,898</u>	<u>53,139</u>	<u>-</u>	<u>73,037</u>
Total Assets	<u>332,653</u>	<u>327,894</u>	<u>32,669</u>	<u>693,216</u>
<b>LIABILITIES</b>				
Current Liabilities				
Due to Other Funds		2,790		2,790
Accounts Payable	46,718	2,795	242	49,755
Accrued Salaries and Wages		11,243		11,243
Unearned Revenue	12,471	-	6,020	18,491
Total Current Liabilities	<u>59,189</u>	<u>16,828</u>	<u>6,262</u>	<u>82,279</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Commodities Revenue	1,446	-	-	1,446
Total Liabilities and Deferred Inflows of Resources	<u>60,635</u>	<u>16,828</u>	<u>6,262</u>	<u>83,725</u>
<b>NET POSITION</b>				
Investment in Capital Assets	19,898	53,139	-	73,037
Unrestricted	252,120	257,927	26,407	536,454
Total Net Position	<u>\$ 272,018</u>	<u>\$ 311,066</u>	<u>\$ 26,407</u>	<u>\$ 609,491</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**NEW MILFORD BOARD OF EDUCATION  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Business-Type Activities - Enterprise Fund**

	<u>Food Service</u>	<u>Knight Care Latchkey Program</u>	<u>Non-Major Enterprise Fund</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>				
Charges for Services				
Daily Sales - Reimbursable Programs	\$ 243,748			\$ 243,748
Daily Sales - Non-Reimbursable Programs	367,809			367,809
Miscellaneous	75			75
Program Fees	-	\$ 369,270	\$ 28,645	397,915
<b>Total Operating Revenues</b>	<u>611,632</u>	<u>369,270</u>	<u>28,645</u>	<u>1,009,547</u>
<b>OPERATING EXPENSES</b>				
Salaries and Employee Benefits	302,014	410,428	20,126	732,568
Cost of Sales - Reimbursable Programs	224,955			224,955
Cost of Sales - Non-Reimbursable Programs	120,078			
Purchased Management Services	53,214			53,214
Other Purchased Services	29,554	2,315	1,350	33,219
Supplies and Materials	20,568	50,094	1,785	72,447
Miscellaneous	1,398			1,398
Depreciation	6,800	7,594	-	14,394
<b>Total Operating Expenses</b>	<u>758,581</u>	<u>470,431</u>	<u>23,261</u>	<u>1,252,273</u>
Operating Income (Loss)	<u>(146,949)</u>	<u>(101,161)</u>	<u>5,384</u>	<u>(242,726)</u>
<b>NONOPERATING REVENUES</b>				
Federal Sources				
National School Lunch Program	146,744			146,744
National School Breakfast Program	443			443
Food Distribution Program	41,668			41,668
State Sources				
State School Lunch Program	5,898			5,898
Interest	1,295	1,874	81	3,250
<b>Total Nonoperating Revenues</b>	<u>196,048</u>	<u>1,874</u>	<u>81</u>	<u>198,003</u>
Change in Net Position Before Transfers	<u>49,099</u>	<u>(99,287)</u>	<u>5,465</u>	<u>(44,723)</u>
Transfers Out	<u>-</u>	<u>(1,916)</u>	<u>(53)</u>	<u>(1,969)</u>
Change in Net Position	49,099	(101,203)	5,412	(46,692)
Total Net Position, Beginning of Year	<u>222,919</u>	<u>412,269</u>	<u>20,995</u>	<u>656,183</u>
Total Net Position, End of Year	<u>\$ 272,018</u>	<u>\$ 311,066</u>	<u>\$ 26,407</u>	<u>\$ 609,491</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

**NEW MILFORD BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Business-Type Activities - Enterprise Fund</u>			<u>Totals</u>
	<u>Food Service</u>	<u>Knight Care Latchkey Program</u>	<u>Non-Major Enterprise Fund</u>	
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 614,088	\$ 368,980	\$ 29,234	\$ 1,012,302
Cash Payments for Employees' Salaries and Benefits	(302,014)	(399,185)	(20,126)	(721,325)
Cash Payments to Suppliers for Goods and Services	(411,878)	(63,237)	(3,252)	(478,367)
Net Cash Provided/(Used) by Operating Activities	(99,804)	(93,442)	5,856	(187,390)
<b>Cash Flows from Noncapital Financing Activities</b>				
Cash Received from State and Federal Subsidy				
Reimbursements	136,315			136,315
Cash Payments to Other Funds	-	(1,916)	(53)	(1,969)
Net Cash Provided/(Used) by Noncapital Financing Activities	136,315	(1,916)	(53)	134,346
<b>Cash Flows from Investing Activities</b>				
Interest on Investments	1,295	1,874	81	3,250
Net Cash Provided by Investing Activities	1,295	1,874	81	3,250
Net Increase (Decrease) in Cash and Cash Equivalents	37,806	(93,484)	5,884	(49,794)
Cash and Cash Equivalents, Beginning of Year	217,855	367,949	26,785	612,589
Cash and Cash Equivalents, End of Year	\$ 255,661	\$ 274,465	\$ 32,669	\$ 562,795
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided/(Used) by Operating Activities</b>				
Operating Income (Loss)	\$ (146,949)	\$ (101,161)	\$ 5,384	\$ (242,726)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided/(Used) by Operating Activities				
Depreciation	6,800	7,594		14,394
Food Distribution Program (USDA Commodities)	41,668			41,668
Change in Assets, Liabilities and Deferred Inflows of Resources				
(Increase)/Decrease in Accounts Receivable	(718)	(290)		(1,008)
(Increase)/Decrease in Inventories	(2,087)			(2,087)
(Increase)/Decrease in Prepaid Expenses	2,976			2,976
(Increase)/Decrease in Due from Other Funds	(64)			(64)
Increase/(Decrease) in Due to Other Funds	-	(951)		(951)
Increase/(Decrease) in Accounts Payable	(4,669)	1,987	(117)	(2,799)
Increase/(Decrease) in Accrued Salaries and Wages		(621)	-	(621)
Increase/(Decrease) in Deferred Commodities Revenue	1,446			1,446
Increase/(Decrease) in Unearned Revenue	1,793	-	589	2,382
Total Adjustments	47,145	7,719	472	55,336
Net Cash Provided/(Used) by Operating Activities	\$ (99,804)	\$ (93,442)	\$ 5,856	\$ (187,390)
<b>Non-Cash Investing, Capital and Financing Activities</b>				
Value Received - Food Distribution Program	\$ 43,115			

The accompanying Notes to the Financial Statements are an integral part of this statement.

**NEW MILFORD BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2016**

	<b>Unemployment Compensation <u>Trust</u></b>	<b>Private Purpose Scholarship <u>Fund</u></b>	<b><u>Agency Fund</u></b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 19,792	\$ 150,509	\$ 535,202
Total Assets	<u>19,792</u>	<u>150,509</u>	<u>\$ 535,202</u>
<b>LIABILITIES</b>			
Intergovernmental Accounts Payable	\$ 26,247		
Employee Deposits Payable			\$ 360,740
Payroll Deductions and Withholdings			230
Due to Other Funds			106
Due to Student Groups	<u>-</u>	<u>-</u>	<u>174,126</u>
Total Liabilities	<u>26,247</u>	<u>-</u>	<u>\$ 535,202</u>
<b>NET POSITION</b>			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ (6,455)</u>	<u>\$ 150,509</u>	

The accompanying Notes to the Financial Statements are an integral part of this statement

**NEW MILFORD BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>Unemployment Compensation <u>Trust</u></b>	<b>Private Purpose Scholarship <u>Fund</u></b>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 45,000	
Employee	33,466	
Private		\$ 35,370
Investment Earnings		
Interest	<u>109</u>	<u>336</u>
Total Additions	<u>78,575</u>	<u>35,706</u>
<b>DEDUCTIONS</b>		
Scholarship Awards		46,450
Unemployment Claims and Contributions	<u>108,884</u>	<u>          </u>
Total Deductions	<u>108,884</u>	<u>46,450</u>
Change in Net Position	(30,309)	(10,744)
Net Position, Beginning of Year	<u>23,854</u>	<u>161,253</u>
Net Position (Deficit), End of Year	<u>\$ (6,455)</u>	<u>\$ 150,509</u>

The accompanying Notes to the Financial Statements are an integral part of this statement



**NOTES TO THE FINANCIAL STATEMENTS**

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The New Milford Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the New Milford Board of Education this includes general operations, food service, before and after school child care, various enrichment programs and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

**B. New Accounting Standards**

During fiscal year 2016, the District adopted the following GASB statements as required:

- GASB No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement applies to donated capital assets, donated works of art, donated historical treasures, and also to similar assets and capital assets received in a service concession arrangement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**B. New Accounting Standards (Continued)**

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 77, *Tax Abatement Disclosures*, will be effective beginning with the fiscal year ending June 30, 2017. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No.68, and No.73*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**C. Basis of Presentation - Financial Statements**

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**C. Basis of Presentation - Financial Statements (Continued)**

**District-Wide Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid, and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Fund Financial Statements**

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and the food service and latchkey enterprise funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**C. Basis of Presentation - Financial Statements (Continued)**

**Fund Financial Statements (Continued)**

The District reports the following major proprietary funds which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

The *Knight Care Latchkey Program fund* accounts for the activities of the District's child care program which provides before and after school childcare activities.

The District reports the following non-major proprietary funds which are organized to be self-supporting through user charges:

The *Broadway Kids Summer Program fund* accounts for the activities of the District's creative arts summer program which provides various enrichment and camp art activities during the summer recess.

The *After School Enrichment Program fund* accounts for the activities of the District's after school program which provides various enrichment programs during the school year.

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

**Reclassifications**

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**D. Measurement Focus and Basis of Accounting (Continued)**

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, tuition, transportation fees, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***1. Cash, Cash Equivalents and Investments***

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

***2. Receivables***

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

**3. Inventories**

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred inflows of resources.

**4. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	40
Building Improvements	20
Machinery and Equipment	10
Office Equipment and Furniture	5
Computer Equipment	5

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

***5. Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two types of items, both of which arise only under the accrual basis of accounting that qualify for reporting in this category. One item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

The other item is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

***6. Compensated Absences***

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused vacation and sick leave benefits. A long-term liability of accumulated vacation and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.



**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)**

***7. Pensions***

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

***8. Long-Term Obligations***

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported including the unamortized bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

***9. Net Position/Fund Balance***

**District-Wide Statements**

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

**Governmental Fund Statements**

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance (Continued)*

**Restricted Fund Balance** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Capital Reserve* – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2D).

*Maintenance Reserve* – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education (See Note 2E).

*Emergency Reserve* – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education (See Note 2F).

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that is required to be appropriated in the 2017/2018 original budget certified for taxes.

*Excess Surplus – Designated for Subsequent Year's Expenditures* - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2015 audited excess surplus that was appropriated in the 2016/2017 original budget certified for taxes.

*Capital Projects* – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

**Committed Fund Balance** – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

*Year-End Encumbrances* – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustee's for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

**Assigned Fund Balance** – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

*Year-End Encumbrances* – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

**Unassigned Fund Balance** – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

**F. Revenues and Expenditures/Expenses**

***1. Program Revenues***

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

***2. Property Taxes***

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1<sup>st</sup> in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

***3. Tuition Revenues and Expenditures***

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

Tuition Expenditures - Tuition charges for the fiscal years 2014-2015 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been certified by the State Department of Education.

***4. Proprietary Funds, Operating and Nonoperating Revenues and Expenses***

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund, of the night care latchkey program enterprise fund, and of non major enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 6, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2015/2016. Also, during 2015/2016 the Board increased the original budget by \$1,003,907. The increase was funded by appropriations of capital reserve and maintenance reserve funds, grant awards and the reappropriation of prior year general fund encumbrances. During the fiscal year the Board authorized and approved appropriations of capital reserve and maintenance reserve fund balance of \$178,372, \$31,000, \$416,000 and \$65,000 from the general fund which were made on December 14, 2015, March 7, 2016, May 9, 2016, and June 20, 2016, respectively.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Excess Expenditures Over Appropriations**

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Special Revenue Fund			
Support Services			
Other Purchased Services	\$118,782	\$118,987	(\$205)

The above variances were offset with other available resources.

**C. Deficit Fund Equity**

The District has an accumulated deficit in fund balance of \$6,455 in the Unemployment Compensation and Trust Fund. The District expects to eliminate this deficit through normal operations in the 2016/2017 fiscal year.

**D. Capital Reserve**

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, July 1, 2015	\$	240,724
Increased by:		
Deposits Approved by Board Resolution	\$	417,416
Interest Earned		<u>1,551</u>
		<u>418,967</u>
		659,691
Withdrawals:		
Approved by Board Resolutions		<u>548,372</u>
Balance, June 30, 2016	\$	<u>111,319</u>

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**E. Maintenance Reserve**

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The activity of the maintenance reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, July 1, 2015		\$ 146,624
Increased by:		
Return of Unexpended Funds	\$ 13,622	
Interest Earned	<u>628</u>	
		<u>14,250</u>
		160,874
Withdrawals:		
Approved by Board Resolution		<u>142,000</u>
Balance, June 30, 2016		<u>\$ 18,874</u>

The June 30, 2016 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$1,818,880. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities.

**F. Emergency Reserve**

An emergency reserve account was established by the District. The accumulation of funds will be used to finance unanticipated General Fund current expenditures required for a thorough and efficient education in subsequent fiscal years.

Funds placed in the emergency reserve are restricted to finance reasonably unforeseeable costs and shall not include additional costs due to poor planning. A District may appropriate funds into the emergency reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent. Pursuant to NJAC 6A:23A-14.4(A), the balance in the reserve cannot at any time exceed the greater of \$250,000 or one percent of the school district's General Fund budget as certified for taxes up to a maximum of \$1,000,000.

The activity of the emergency reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, July 1, 2015		<u>\$ 285,199</u>
Balance, June 30, 2016		<u>\$ 285,199</u>

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**G. Transfers to Capital Outlay**

During the 2015/2016 school year, the district transferred \$548,372 to the non-equipment capital outlay accounts. The transfer was made from the capital reserve account to supplement capital projects previously approved by the voters in the budget certified for taxes pursuant to N.J.A.C. 6A:23-8.4.

**H. Calculation of Excess Surplus**

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2016 is \$1,694,049. Of this amount, \$831,014 was designated and appropriated in the 2016/2017 original budget certified for taxes and the remaining amount of \$863,035 will be appropriated in the 2017/2018 original budget certified for taxes.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Cash Deposits and Investments**

**Cash Deposits**

The Board'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 Board 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 June 30, 2016, the book value of the Board's deposits were \$5,362,085 and bank and brokerage firm balances of the Board's deposits amounted to \$5,522,515. The Board's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	<u>\$ 5,522,515</u>
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**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Cash Deposits and Investments (Continued)**

**Cash Deposits (Continued)**

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2016 none of the Board’s bank balance was exposed to custodial credit risk.

**Investments**

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are 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 school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2016, the Board had no outstanding investments.

Interest Rate Risk – The Board 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. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Board places no limit in the amount the District may invest in any one issuer.

**B. Receivables**

Receivables as of June 30, 2016 for the district’s individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Latchkey Program</u>	<u>Total</u>
Receivables:					
Intergovernmental:					
State	\$ 41,774	\$ 415	\$ 1,081		\$ 43,270
Federal		283,017	28,282		311,299
Accounts	<u>22,488</u>	<u>21,105</u>	<u>1,611</u>	<u>\$ 290</u>	<u>45,494</u>
Gross Receivables	64,262	304,537	30,974	290	400,063
Less: Allowance for Uncollectibles	-	-	-	-	-
Net Total Receivables	<u>\$ 64,262</u>	<u>\$ 304,537</u>	<u>\$ 30,974</u>	<u>\$ 290</u>	<u>\$ 400,063</u>



**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**C. Unearned Revenue**

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ 8,660
Grand Draw Downs Reserved for Encumbrances	<u>20,362</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 29,022</u>

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	Balance, <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2016</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,255,000			\$ 3,255,000
Construction in Progress	<u>763,843</u>	<u>\$ 271,497</u>	<u>-</u>	<u>1,035,340</u>
Total Capital Assets, Not Being Depreciated	<u>4,018,843</u>	<u>271,497</u>	<u>-</u>	<u>4,290,340</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	27,097,367	-		27,097,367
Land Improvements	1,563,245			1,563,245
Machinery and Equipment	<u>3,354,734</u>	<u>255,934</u>	<u>\$ (1,150)</u>	<u>3,609,518</u>
Total Capital Assets Being Depreciated	<u>32,015,346</u>	<u>255,934</u>	<u>(1,150)</u>	<u>32,270,130</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(10,318,329)	(449,745)		(10,768,074)
Land Improvements	(870,959)	(34,819)		(905,778)
Machinery and Equipment	<u>(1,749,426)</u>	<u>(206,564)</u>	<u>-</u>	<u>(1,955,990)</u>
Total Accumulated Depreciation	<u>(12,938,714)</u>	<u>(691,128)</u>	<u>-</u>	<u>(13,629,842)</u>
Total Capital Assets, Being Depreciated, Net	<u>19,076,632</u>	<u>(435,194)</u>	<u>(1,150)</u>	<u>18,640,288</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,095,475</u>	<u>\$ (163,697)</u>	<u>\$ (1,150)</u>	<u>\$ 22,930,628</u>

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets (Continued)**

	Balance, <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2016</u>
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 227,686	-	-	\$ 227,686
Total Capital Assets Being Depreciated	<u>227,686</u>	<u>-</u>	<u>-</u>	<u>227,686</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(140,255)	\$ (14,394)	-	(154,649)
Total Accumulated Depreciation	<u>(140,255)</u>	<u>(14,394)</u>	<u>-</u>	<u>(154,649)</u>
Total Capital Assets, Being Depreciated, Net	<u>87,431</u>	<u>(14,394)</u>	<u>-</u>	<u>73,037</u>
Business-Type Activities Capital Assets, Net	<u>\$ 87,431</u>	<u>\$ (14,394)</u>	<u>\$ -</u>	<u>\$ 73,037</u>

Depreciation expense was charged to functions/programs of the District as follows:

<b>Governmental Activities:</b>	
Instruction	
Regular	\$ 56,941
Special Education	3,562
School-Sponsored/Activities and Athletics	3,258
Total Instruction	<u>63,761</u>
Support Services	
Student and Instruction Related Services	1,326
General Administrative Services	422
School Administrative Services	11,547
Plant Operations and Maintenance	536,465
Pupil Transportation	37,083
Central and Other Support Services	40,524
Total Support Services	<u>627,367</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 691,128</u>
<b>Business-Type Activities:</b>	
Food Service	\$ 6,800
Latch Key Program	7,594
Total Depreciation Expense-Business-Type Activities	<u>\$ 14,394</u>

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets (Continued)**

**Construction and Other Significant Commitments**

The District has the following active construction projects as of June 30, 2016:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
<u>General Fund</u>		
Installation of Elevator at NMHS	\$ 190,885	\$ 176,840
ADA Compliance for HS Entrance	-	165,000
	<u>\$ 190,885</u>	<u>\$ 341,840</u>

**E. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2016, is as follows:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 55,032
General Fund	Payroll Agency Fund	106
Food Service Fund	General Fund	17,115
Food Service Fund	Latchkey Enterprise Fund	<u>2,790</u>
Total		<u>\$ 75,043</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

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

**Interfund Transfers**

	<u>Transfers In:</u>
	<u>General</u>
Transfers Out:	
Knight Care Latchkey Enterprise	\$ 1,916
Broadway Kids Summer Program Enterprise	31
After School Enrichment Enterprise	<u>22</u>
	<u>\$ 1,969</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Leases**

**Operating Leases**

The District leases copiers under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2016 were \$71,940. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 71,940
2018	71,940
2019	<u>11,990</u>
Total	<u>\$ 155,870</u>

**Capital Leases**

The District is leasing several vehicles and phone equipment totaling \$647,234 under capital leases. The leases are for terms of 3 to 5 years.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and Equipment	<u>\$ 647,234</u>
Total	<u>\$ 647,234</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2017	\$ 159,925
2018	40,097
2019	40,097
2020	<u>19,831</u>
Total minimum lease payments	259,950
Less: amount representing interest	<u>7,512</u>
Present value of minimum lease payments	<u>\$ 252,438</u>

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Leases (Continued)**

**Lease Purchase Agreements**

The District has entered into lease purchase agreements for the purchase of chromebooks for the term of 3 years.

The maturity schedule of the remaining lease payments for principal and interest is as follows:

**Governmental Activities:**

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2017	\$ <u>55,832</u>
Total minimum lease payments	55,832
Less: amount representing interest	<u>(2,969)</u>
Present value of minimum lease payments	<u>\$ 52,863</u>

**G. Long-Term Debt**

**General Obligation Bonds**

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2016 are comprised of the following issue:

\$4,515,000, 2009 Refunding Bonds, due in annual installments of \$425,000 to \$440,000 through August 15, 2020, interest at 4.00%	<u>\$2,165,000</u>
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The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

**Governmental Activities:**

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 440,000	\$ 77,800	\$ 517,800
2018	435,000	60,300	495,300
2019	435,000	42,900	477,900
2020	430,000	25,600	455,600
2021	<u>425,000</u>	<u>8,500</u>	<u>433,500</u>
Total	<u>\$ 2,165,000</u>	<u>\$ 215,100</u>	<u>\$ 2,380,100</u>

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Long-Term Debt (Continued)**

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2016 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 71,104,773
Less: Net Debt Issued	<u>2,165,000</u>
Remaining Borrowing Power	<u>\$ 68,939,773</u>

**H. Other Long-Term Liabilities**

**Changes in Long-Term Liabilities**

Long-term liability activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 2,600,000		\$ 435,000	\$ 2,165,000	\$ 440,000
Add:					
Unamortized Premium	<u>100,013</u>	-	<u>25,040</u>	<u>74,973</u>	-
Total Bonds Payable	2,700,013	-	460,040	2,239,973	440,000
Capital Leases Payable	423,931		171,493	252,438	154,664
Lease Purchase Agreements Payable	102,917		50,054	52,863	52,863
Compensated Absences Payable	391,253	\$ 10,928		402,181	40,182
Net Pension Liability	<u>9,084,183</u>	<u>1,901,873</u>	-	<u>10,986,056</u>	-
Governmental Activities Long-Term Liabilities	<u>\$ 12,702,297</u>	<u>\$ 1,912,801</u>	<u>\$ 681,587</u>	<u>\$ 13,933,511</u>	<u>\$ 687,709</u>

For the governmental activities, the liabilities for compensated absences, capital leases/lease purchase agreements and net pension liability are generally liquidated by the general fund.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION**

**A. Risk Management**

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the Northeast Bergen County School Board Insurance Group (NESBIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims and various other types of insurance coverage.

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

NESBIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance fund are on file with the School's Business Administrator.

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

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan the District 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 District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's fiduciary trust fund for the current and previous two years:

Fiscal Year Ended <u>June 30,</u>	District <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending Balance <u>(Deficit)</u>
2016	\$ 45,000	\$ 33,466	\$ 108,884	\$ (6,455)
2015	20,000	34,146	76,452	23,854
2014	75,000	32,238	81,402	46,011

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (Continued)**

**B. Contingent Liabilities**

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

**Federal and State Awards** – The Board 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 Board may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

**C. Federal Arbitrage Regulations**

The District 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 June 30, 2016, the District has not estimated its arbitrage earnings due to the IRS, if any.

**D. Employee Retirement Systems and Pension Plans**

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

**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 health care, 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 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

**Teachers' Pension and Annuity Fund (TPAF)** – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

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 Board employees who are eligible for pension coverage.



**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**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, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

**Other Pension Funds**

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

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

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. 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.

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

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Funding Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 35 percent with an unfunded actuarial accrued liability of \$86 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 28.71 percent and \$63.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 47.93 percent and \$22.4 billion, respectively.

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

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing 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, 2014 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 2.60-9.48 percent based on age for the PERS and varying percentages based on experience for TPAF.

**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 member 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 retirement systems require employee contributions based on 6.92% for PERS, 6.92% for TPAF and 5.50% for DCRP of the employee's annual compensation.

**Annual Pension Costs (APC)**

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2016 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Annual Pension Costs (APC) (Continued)**

During the fiscal years ended June 30, 2016, 2015 and 2014 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended June 30,	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2016	\$ 420,753	\$ 1,058,012	\$ 12,175
2015	399,988	689,679	20,246
2014	347,694	516,465	15,723

For fiscal years 2015/2016 and 2014/2015, the state contributed \$1,058,012 and \$689,679 respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$516,465 for normal cost pension and NCGI premium.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$964,566 during the fiscal year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

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

**Public Employees Retirement System (PERS)**

At June 30, 2016, the District reported in the statement of net position (accrual basis) a liability of \$10,986,056 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the District's proportionate share was 0.04894 percent, which was an increase of 0.00043 percent from its proportionate share measured as of June 30, 2014 of 0.04851 percent.

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$821,539 for PERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience		
Changes of Assumptions	\$ 1,179,815	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	262,089	\$ 176,635
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>451,693</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,893,597</u></b>	<b><u>\$ 176,635</u></b>

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

Fiscal Year Ending <u>June 30,</u>	
2017	\$ 275,922
2018	275,922
2019	275,922
2020	411,264
2021	<u>477,932</u>
	<b><u>\$ 1,716,962</u></b>

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

*Actuarial Assumptions*

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

	<u>PERS</u>
Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15-4.40%
Thereafter	Based on Age 3.15-5.40%
Investment Rate of Return	Based on Age 7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2008 -
Study Upon Which Actuarial	June 30, 2011
Assumptions were Based	

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

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Public Employees Retirement System (PERS) (Continued)**

***Long-Term Expected Rate of Return***

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

***Discount Rate***

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

<u>Plan</u>	<u>Discount Rate</u>
PERS	4.90%



**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Teachers Pension and Annuity Fund (TPAF)**

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$4,923,089 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2016 the State's proportionate share of the net pension liability attributable to the District is \$80,628,389. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2015. At June 30, 2015, the state's share of the net pension liability attributable to the District was 0.12757 percent, which was an increase of 0.00549 percent from its proportionate share measured as of June 30, 2014 of 0.12208 percent.

**Actuarial Assumptions**

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

	<u>TPAF</u>
Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience Study Upon Which Actuarial Assumptions were Based	July 1, 2009 - June 30, 2012

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



**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Teachers Pension and Annuity Fund (TPAF) (Continued)**

**Long-Term Expected Rate of Return**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Teachers Pension and Annuity Fund (TPAF) (Continued)**

***Discount Rate***

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

<u>Plan</u>	<u>Discount Rate</u>
TPAF	4.13%

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2027
Municipal Bond Rate *	From July 1, 2027 and Thereafter

\* The municipal bond return rate used is 3.80%. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

***Sensitivity of Net Pension Liability***

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.13%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	<b>1% Decrease (3.13%)</b>	<b>Current Discount Rate (4.13%)</b>	<b>1% Increase (5.13%)</b>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 95,823,827</u>	<u>\$ 80,628,389</u>	<u>\$ 67,536,610</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2015. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2015 was not provided by the pension system.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 4 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

**Teachers Pension and Annuity Fund (TPAF) (Continued)**

***Pension Plan Fiduciary Net Position***

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

**E. Post-Retirement Medical Benefits**

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2015.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

**Health Benefits Program Fund (HBPF) – Local Education** (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

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 the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

**Basis of Accounting**

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

**Significant Legislation**

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

**Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the State had a \$65.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$24.4 billion for state active and retired members and \$40.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

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

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the 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, 2014, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4 OTHER INFORMATION (Continued)**

**G. Post-Retirement Medical Benefits (Continued)**

**Post-Retirement Medical Benefits Contributions**

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2015, there were 107,314, retirees receiving post-retirement medical benefits and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (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) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2016, 2015 and 2014 were \$1,259,799, \$1,094,866 and \$846,808, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

**NOTE 5 SUBSEQUENT EVENT**

On March 21, 2016 the District approved a resolution to enter into a contract for a lease purchase agreement totaling principal payments of \$98,775 for the purpose of acquiring a 49 passenger bus with a wheelchair lift. The authorization for the lease purchase agreements was approved and contract awarded by resolution prior to the end of the school year; however the lease purchase agreement was not executed and the bus was not received until fiscal year 2016/17.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

**NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
<b>REVENUES</b>					
<b>Local Sources</b>					
Property Taxes	\$ 30,557,436		\$ 30,557,436	\$ 30,557,436	
Tuition from Other LEAs Within the State	250,000		250,000	396,222	\$ 146,222
Transportation Fees from Other LEA's	25,000		25,000	14,005	(10,995)
Interest				19,406	19,406
Interest Earned on Capital Reserve				1,551	1,551
Interest Earned on Maintenance Reserve				628	628
Miscellaneous	43,001	-	43,001	67,882	24,881
<b>Total Local Sources</b>	<u>30,875,437</u>	<u>-</u>	<u>30,875,437</u>	<u>31,057,130</u>	<u>181,693</u>
<b>State Sources</b>					
Special Education Aid	1,292,035	-	1,292,035	1,292,035	-
Equalization Aid	323,334	-	323,334	323,334	-
Security Aid	41,569	-	41,569	41,569	-
Transportation Aid	71,767	-	71,767	71,767	-
PARCC Readiness Aid	20,170	-	20,170	20,170	-
Per Pupil Growth Aid	20,170	-	20,170	20,170	-
Extraordinary Aid	500,000	-	500,000	456,152	(43,848)
Nonpublic Transportation Aid				41,774	41,774
TPAF Pension Benefits Contribution (Non-Budget)				1,007,809	1,007,809
TPAF Pension - NCGI Premium (Non-Budget)				50,203	50,203
TPAF Post Retirement Medical Contribution (Non-Budget)	-	-	-	1,259,799	1,259,799
TPAF Social Security Contributions (Non-Budget)	-	-	-	964,566	964,566
<b>Total State Sources</b>	<u>2,269,045</u>	<u>-</u>	<u>2,269,045</u>	<u>5,549,348</u>	<u>3,280,303</u>
<b>Federal Sources</b>					
Medicaid Reimbursement	22,691	-	22,691	2,355	(20,336)
<b>Total Federal Sources</b>	<u>22,691</u>	<u>-</u>	<u>22,691</u>	<u>2,355</u>	<u>(20,336)</u>
<b>Total Revenues</b>	<u>33,167,173</u>	<u>-</u>	<u>33,167,173</u>	<u>36,608,833</u>	<u>3,441,660</u>
<b>EXPENDITURES</b>					
<b>CURRENT</b>					
<b>Instruction - Regular Programs</b>					
<b>Salaries of Teachers</b>					
Kindergarten	465,247	\$ (7,775)	457,472	455,159	2,313
Grades 1-5	2,829,997	(135,566)	2,694,431	2,694,431	-
Grades 6-8	1,857,764	144,094	2,001,858	2,000,056	1,802
Grades 9-12	3,222,022	(31,030)	3,190,992	3,187,612	3,380
<b>Regular Programs - Home Instruction</b>					
Salaries of Teachers	5,500	(1,960)	3,540	3,540	-
Purchased Professional/Educational Services	20,000	(2,651)	17,349	17,266	83
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	10,500	14,082	24,582	24,033	549
Purchased Professional/Educational Services	29,000	8,235	37,235	36,935	300
Purchased Technical Services	300	-	300	300	300
Other Purchased Services	78,965	764	79,729	79,668	61
General Supplies	619,555	(85,026)	534,529	532,489	2,040
Textbooks	183,515	(56,575)	126,940	126,321	619
Other Objects	15,100	41,461	56,561	55,201	1,360
<b>Total Regular Programs</b>	<u>9,337,465</u>	<u>(111,947)</u>	<u>9,225,518</u>	<u>9,212,711</u>	<u>12,807</u>



**NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**EXHIBIT C-1**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
<b>EXPENDITURES (Continued)</b>					
<b>CURRENT (Continued)</b>					
<b>Learning and/or Language Disabilities</b>					
Salaries of Teachers	\$ 176,650	\$ 12,223	\$ 188,873	\$ 188,873	-
Other Salaries for Instruction	25,235	114,583	139,818	139,818	-
General Supplies	9,250	(1,600)	7,650	1,719	\$ 5,931
Textbooks	1,500	-	1,500	1,003	497
<b>Total Learning and/or Language Disabilities</b>	<b>212,635</b>	<b>125,206</b>	<b>337,841</b>	<b>331,413</b>	<b>6,428</b>
<b>Multiple Disabilities</b>					
Salaries of Teachers	61,250	(5,374)	55,876	55,747	129
Other Salaries for Instruction	7,693	(7,693)	-	-	-
General Supplies	2,500	-	2,500	2,377	123
Textbooks	1,500	-	1,500	981	519
Other Objects	15,000	(4,460)	10,540	593	9,947
<b>Total Multiple Disabilities</b>	<b>87,943</b>	<b>(17,527)</b>	<b>70,416</b>	<b>59,698</b>	<b>10,718</b>
<b>Resource Room/Resource Center</b>					
Salaries of Teachers	1,281,989	5,054	1,287,043	1,286,479	564
Other Salaries for Instruction	149,398	100,690	250,088	245,696	4,392
General Supplies	11,850	(3,550)	8,300	3,677	4,623
Textbooks	5,715	(1,000)	4,715	-	4,715
<b>Total Resource Room/Resource Center</b>	<b>1,448,952</b>	<b>101,194</b>	<b>1,550,146</b>	<b>1,535,852</b>	<b>14,294</b>
<b>Autism</b>					
Salaries of Teachers	167,925	(70,658)	97,267	96,773	494
Other Salaries for Instruction	309,943	(60,278)	249,665	242,358	7,307
<b>Total Autism</b>	<b>477,868</b>	<b>(130,936)</b>	<b>346,932</b>	<b>339,131</b>	<b>7,801</b>
<b>Preschool Disabilities - Part-Time</b>					
Salaries of Teachers	73,485	(285)	73,200	73,030	170
Other Salaries for Instruction	39,025	1,484	40,509	40,509	-
<b>Total Preschool Disabilities - Part-Time</b>	<b>112,510</b>	<b>1,199</b>	<b>113,709</b>	<b>113,539</b>	<b>170</b>
<b>Preschool Disabilities - Full-Time</b>					
Salaries of Teachers	-	59,891	59,891	59,891	-
Other Salaries for Instruction	-	104,123	104,123	104,060	63
<b>Total Preschool Disabilities - Full-Time</b>	<b>-</b>	<b>164,014</b>	<b>164,014</b>	<b>163,951</b>	<b>63</b>
<b>Home Instruction</b>					
Salaries of Teachers	5,000	-	5,000	280	4,720
Purchased Professional Educational Services	3,000	(2,103)	897	-	897
<b>Total Home Instruction</b>	<b>8,000</b>	<b>(2,103)</b>	<b>5,897</b>	<b>280</b>	<b>5,617</b>
<b>Total Special Education</b>	<b>2,347,908</b>	<b>241,047</b>	<b>2,588,955</b>	<b>2,543,864</b>	<b>45,091</b>
<b>Basic Skills/Remedial</b>					
Salaries of Teachers	118,890	56,860	175,750	159,005	16,745
<b>Total Basic Skills/Remedial</b>	<b>118,890</b>	<b>56,860</b>	<b>175,750</b>	<b>159,005</b>	<b>16,745</b>
<b>Bilingual Education</b>					
Salaries of Teachers	181,200	(7,748)	173,452	173,452	-
General Supplies	3,000	(687)	2,313	2,258	55
Other Objects	-	28	28	28	-
<b>Total Bilingual Education</b>	<b>184,200</b>	<b>(8,407)</b>	<b>175,793</b>	<b>175,738</b>	<b>55</b>

**NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES</b>					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
School Sponsored Co/Extra Curricular Activities					
Salaries	\$ 161,072	\$ 8,752	\$ 169,824	\$ 169,824	-
Purchased Professional - Educational Services		7,500	7,500	7,500	-
Purchased Services	10,200	(4,547)	5,653	5,653	-
Supplies and Materials	33,750	(7,780)	25,970	25,970	-
Other Objects	3,300	3,390	6,690	6,666	\$ 24
<b>Total School Sponsored Co/Extra Curricular Activities</b>	<b>208,322</b>	<b>7,315</b>	<b>215,637</b>	<b>215,613</b>	<b>24</b>
School Sponsored Athletics					
Salaries	400,304	2,952	403,256	403,256	-
Purchased Services	154,450	(18,432)	136,018	126,197	9,821
Supplies and Materials	46,980	5,838	52,818	49,776	3,042
Other Objects	9,700	(2,193)	7,507	7,507	-
<b>Total School Sponsored Athletics</b>	<b>611,434</b>	<b>(11,835)</b>	<b>599,599</b>	<b>586,736</b>	<b>12,863</b>
Instructional Alternative Ed Prog - Instruction					
Salaries	40,000	23,730	63,730	63,730	-
Purchased Professional and Technical Services	1,000	(1,000)			-
General Supplies	5,000	(5,000)			-
<b>Total Instructional/Alternative Ed Prog - Instruction</b>	<b>46,000</b>	<b>17,730</b>	<b>63,730</b>	<b>63,730</b>	<b>-</b>
<b>Total Instruction</b>	<b>12,854,219</b>	<b>190,763</b>	<b>13,044,982</b>	<b>12,957,397</b>	<b>87,585</b>
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs w/i State - Special	948,474	(327,760)	620,714	620,714	-
Tuition to County Voc. School Dist.-Regular	355,008	20,690	375,698	328,452	47,246
Tuition to County Voc. School Dist.- Special	160,896	14,302	175,198	168,750	6,448
Tuition to CSSD & Reg. Day Schools	256,340	166,193	422,533	418,333	4,200
Tuition to Priv. Sch. Disabled -					
Within State	727,482	81,908	809,390	756,523	52,867
Tuition - State Facilities	32,306	-	32,306	32,306	-
<b>Total Undistributed Expenditures - Instruction</b>	<b>2,480,506</b>	<b>(44,667)</b>	<b>2,435,839</b>	<b>2,325,078</b>	<b>110,761</b>
Attendance and Social Work					
Salaries	103,132	(1,210)	101,922	101,006	916
Purchased Professional and Technical Services	39,500	(333)	39,167	25,745	13,422
Other Purchased Services	2,500	-	2,500	1,246	1,254
Supplies and Materials	1,000	1,480	2,480	2,318	162
<b>Total Attendance and Social Work</b>	<b>146,132</b>	<b>(63)</b>	<b>146,069</b>	<b>130,315</b>	<b>15,754</b>
Health Services					
Salaries	360,855	(21,716)	339,139	339,090	49
Purchased Professional and Technical Services	22,375	2,983	25,358	24,308	1,050
Other Purchased Services	225	-	225	114	111
Supplies and Materials	5,800	-	5,800	5,221	579
Other Objects	400	-	400	-	400
<b>Total Health Services</b>	<b>389,655</b>	<b>(18,733)</b>	<b>370,922</b>	<b>368,733</b>	<b>2,189</b>

**NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
<b>EXPENDITURES</b>					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Speech, OT, PT & Related Serv.					
Salaries	\$ 327,415	-	\$ 327,415	\$ 321,988	\$ 5,427
Purchased Professional/Educational Services	158,420	\$(6,113)	152,307	89,917	62,390
Supplies and Materials	1,050	65	1,115	1,060	55
<b>Total Speech, OT, PT, &amp; Related Serv.</b>	<b>486,885</b>	<b>(6,048)</b>	<b>480,837</b>	<b>412,965</b>	<b>67,872</b>
Other Support Services - Students - Extra Serv.					
Salaries	719,546	(163,206)	556,340	541,958	14,382
Purchased Professional/Educational Services	428,000	4,705	432,705	332,189	100,516
<b>Total Other Supp.Serv. Student - Extra Serv.</b>	<b>1,147,546</b>	<b>(158,501)</b>	<b>989,045</b>	<b>874,147</b>	<b>114,898</b>
Guidance					
Salaries of Other Professional Staff	542,018	(1,676)	540,342	540,342	-
Salaries of Secretarial & Clerical Assistants	40,503	-	40,503	40,503	-
Purchased Professional-Educational Services	500	-	500	500	-
Other Purchased Professional and Technical Svs.	11,650	(1,124)	10,526	7,309	3,217
Other Purchased Services	800	-	800	800	800
Supplies and Materials	6,090	-	6,090	4,118	1,972
Other Objects	500	445	945	945	-
<b>Total Guidance</b>	<b>602,061</b>	<b>(2,355)</b>	<b>599,706</b>	<b>593,717</b>	<b>5,989</b>
Child Study Team					
Salaries of Other Professional Staff	704,784	(12)	704,772	700,359	4,413
Salaries of Secretarial & Clerical Assistants	140,908	898	141,806	140,376	1,430
Purchased Professional-Educational Services	65,000	(2,180)	62,820	45,807	17,013
Other Purchased Services	3,900	567	4,467	4,016	451
Supplies and Materials	13,000	1,871	14,871	14,540	331
Other Objects	1,200	309	1,509	1,509	-
<b>Total Child Study Team</b>	<b>928,792</b>	<b>1,453</b>	<b>930,245</b>	<b>906,607</b>	<b>23,638</b>
Educational Media/School Library					
Salaries	263,310	(32,692)	230,618	191,152	39,466
Salaries of Technology Coordinators	121,073	1,200	122,273	122,273	-
Purchased Professional and Technical Services	10,300	(3,146)	7,154	3,918	3,236
Other Purchased Services	53	-	53	53	53
Supplies and Materials	40,680	10,209	50,889	46,046	4,843
Other Objects	200	-	200	-	200
<b>Total Educational Media/School Library</b>	<b>435,616</b>	<b>(24,429)</b>	<b>411,187</b>	<b>363,389</b>	<b>47,798</b>
Instructional Staff Training Services					
Salaries of Other Professional Staff	20,500	(6,338)	14,162	10,600	3,562
Purchased Professional-Educational Services	37,900	6,636	44,536	44,461	75
Other Purchased Services	3,950	1,100	5,050	4,807	243
<b>Total Instructional Staff Training Services</b>	<b>62,350</b>	<b>1,398</b>	<b>63,748</b>	<b>59,868</b>	<b>3,880</b>

**NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES</b>					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Support Services General Administration					
Salaries	\$ 496,352	\$ (123,262)	\$ 373,090	\$ 373,090	-
Legal Services	50,000	10,966	60,966	22,561	\$ 38,405
Audit Fees	30,000	26,918	56,918	29,830	27,088
Architectural / Engineering Services	20,000	(11,059)	8,941	8,027	914
Other Purchased Professional Services	6,000	35,838	41,838	41,838	-
Purchased Technical Services	9,300	(1,260)	8,040	8,000	40
Communications/Telephone	101,300	1,120	102,420	102,420	-
BOE Other Purchased Services	6,000	(2,596)	3,404	3,224	180
Miscellaneous Purchased Services	17,632	3,454	21,086	20,785	301
General Supplies	5,700	3,725	9,425	9,317	108
BOE In-House Training/Meeting Supplies	900	(259)	641	551	90
Judgements Against District	50,000	79,814	129,814	40,749	89,065
Miscellaneous Expenditures	4,525	(200)	4,325	4,108	217
BOE Membership Dues and Fees	13,000	-	13,000	12,777	223
<b>Total Support Services General Administration</b>	<b>810,709</b>	<b>23,199</b>	<b>833,908</b>	<b>677,277</b>	<b>156,631</b>
Support Services School Administration					
Salaries of Principals/Asst. Principals/Prog Director	788,980	1,920	790,900	790,900	-
Salaries of Other Professional Staff	468,181	132,746	600,927	600,927	-
Salaries of Secretarial and Clerical Assistants	371,134	9,320	380,454	379,863	591
Other Purchased Services	31,850	(1,156)	30,694	22,044	8,650
Supplies and Materials	33,500	800	34,300	18,661	15,639
Other Objects	14,251	-	14,251	7,483	6,768
<b>Total Support Services School Administration</b>	<b>1,707,896</b>	<b>143,630</b>	<b>1,851,526</b>	<b>1,819,878</b>	<b>31,648</b>
Undistributed Expenditures - Central Services					
Salaries	421,653	(2,446)	419,207	417,784	1,423
Purchased Professional Services	5,000	(4,192)	808	477	331
Purchased Technical Services	24,492	12,334	36,826	36,091	735
Misc. Purchased Services	6,900	(715)	6,185	5,006	1,179
Supplies and Materials	7,100	5,701	12,801	6,427	6,374
Miscellaneous Expenditures	1,750	-	1,750	1,240	510
<b>Total Undistributed Expenditures - Central Services</b>	<b>466,895</b>	<b>10,682</b>	<b>477,577</b>	<b>467,025</b>	<b>10,552</b>
Undistributed Expenditures - Admin. Info. Tech.					
Salaries	187,133	(3,000)	184,133	182,957	1,176
Purchased Professional Services	5,000	-	5,000	3,000	2,000
Purchased Technical Services	56,925	(10,194)	46,731	12,018	34,713
Other Purchased Services	233,000	-	233,000	192,499	40,501
Supplies and Materials	32,992	56,455	89,447	65,023	24,424
<b>Total Undistributed Expenditures - Admin. Info. Tech.</b>	<b>515,050</b>	<b>43,261</b>	<b>558,311</b>	<b>455,497</b>	<b>102,814</b>
Required Maintenance for School Facilities					
Salaries	338,853	918	339,771	337,600	2,171
Cleaning, Repair and Maintenance Services	130,595	335,420	466,015	405,289	60,726
General Supplies	116,700	(4,079)	112,621	110,054	2,567
<b>Total Required Maintenance for School Facilities</b>	<b>586,148</b>	<b>332,259</b>	<b>918,407</b>	<b>852,943</b>	<b>65,464</b>

**NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES</b>					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 1,138,159	\$ (88,988)	\$ 1,049,171	\$ 1,041,362	\$ 7,809
Salaries of Non-Instructional Aides	157,000	17,434	174,434	164,625	9,809
Purchased Professional-Technical Services	28,390	4,900	33,290	16,666	16,624
Cleaning, Repair and Maintenance Services	112,585	15,322	127,907	111,630	16,277
Other Purchased Property Services	39,000	3,581	42,581	40,569	2,012
Insurance	259,500	-	259,500	251,629	7,871
Miscellaneous Purchased Services	8,200	-	8,200	5,958	2,242
General Supplies	109,320	(9,974)	99,346	90,784	8,562
Energy (Natural Gas)	312,000	(87,141)	224,859	125,545	99,314
Energy (Electricity)	357,000	7,421	364,421	358,774	5,647
Energy (Gasoline)	-	12,000	12,000	3,924	8,076
Other Objects	350	-	350	350	-
<b>Total Custodial Services</b>	<b>2,521,504</b>	<b>(125,445)</b>	<b>2,396,059</b>	<b>2,211,816</b>	<b>184,243</b>
Care and Upkeep of Grounds					
Salaries	168,604	(29,549)	139,055	137,100	1,955
Cleaning, Repair and Maintenance Services	72,700	(20,633)	52,067	47,782	4,285
General Supplies	15,000	32,101	47,101	42,885	4,216
Other Objects	-	7,941	7,941	7,340	601
<b>Total Care and Upkeep of Grounds</b>	<b>256,304</b>	<b>(10,140)</b>	<b>246,164</b>	<b>235,107</b>	<b>11,057</b>
Security					
Purchased Professional-Technical Services	138,500	5,191	143,691	138,637	5,054
Cleaning, Repair and Maintenance Services	69,500	1,329	70,829	50,572	20,257
<b>Total Security</b>	<b>208,000</b>	<b>6,520</b>	<b>214,520</b>	<b>189,209</b>	<b>25,311</b>
Student Transportation Services					
Salaries of Non-Instructional Aides	40,000	12,850	52,850	52,850	-
Salaries for Pupil Transportation (Between Home and School) - Regular	50,949	(8,277)	42,672	42,672	-
Salaries for Pupil Transportation (Between Home and School) - Spec. Ed.	58,784	22,642	81,426	81,426	-
Salaries for Pupil Transportation (Other Than Between Home and School)	122,642	10,095	132,737	132,737	-
Other Purchased Professional and Technical Svs.	1,400	735	2,135	2,135	-
Cleaning, Repair and Maintenance Services	25,000	(1,302)	23,698	23,501	197
Lease Purchase Payment - School Buses	76,000	76,731	152,731	53,956	98,775
Contracted Services - Aid in Lieu of Payments-Nonpublic Schools	194,480	(18,589)	175,891	170,299	5,592
Contracted Services - Aid in Lieu of Payments - Choice Sch. Students	4,420	(4,420)	-	-	-
Contracted Services (Between Home and School) - Vendors	20,500	(1,700)	18,800	18,800	-
Contracted Services (Other Than Between Home and School) - Vendors	17,500	(10,282)	7,218	7,218	-
Contracted Services (Between Home and School) - Joint Agreement	53,000	(46,938)	6,062	6,062	-
Contracted Services (Special Ed Students) - Joint Agreement	365,000	(285,538)	79,462	79,462	-
Contracted Services (Reg. Students) - ESCs & CTSAs	-	44,454	44,454	44,454	-
Contracted Serv. (Spl. Ed. Students)- ESCs & CTSAs	-	299,262	299,262	299,262	-
General Supplies	500	7,791	8,291	5,675	2,616
Transportation Supplies	30,000	(10,000)	20,000	16,712	3,288
Other Objects	2,150	452	2,602	2,602	-
<b>Total Student Transportation Services</b>	<b>1,062,325</b>	<b>87,966</b>	<b>1,150,291</b>	<b>1,039,823</b>	<b>110,468</b>

**NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
<b>EXPENDITURES</b>					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Unallocated Benefits- Employee Benefits					
Group Insurance	\$ 7,600	\$ 151	\$ 7,751	\$ 7,751	\$ -
Social Security Contributions	480,000	47,773	527,773	527,773	-
Other Retirement Contributions - PERS	502,000	(76,731)	425,269	420,753	\$ 4,516
Other Retirement Contributions - Regular	18,000	(350)	17,650	12,175	5,475
Unemployment Compensation	45,000	-	45,000	45,000	-
Workmen's Compensation	178,000	-	178,000	139,064	38,936
Health Benefits	4,599,418	(158,400)	4,441,018	4,399,741	41,277
Tuition Reimbursement	69,900	-	69,900	47,966	21,934
Other Employee Benefits	166,550	13,398	179,948	136,271	43,677
Unused Sick Payment to Terminated/Retired Staff	55,000	(19,322)	35,678	17,150	18,528
<b>Total Unallocated Benefits</b>	<b>6,121,468</b>	<b>(193,481)</b>	<b>5,927,987</b>	<b>5,753,644</b>	<b>174,343</b>
On-Behalf (Non-Budget)					
TPAF Pension Benefit Contribution (Non-Budget)				1,007,809	(1,007,809)
TPAF Pension - NCGI Premium (Non-Budget)				50,203	(50,203)
TPAF Post Retirement Medical Contribution (Non-Budget)				1,259,799	(1,259,799)
TPAF Social Security Contributions (Non-Budget)	-	-	-	964,566	(964,566)
<b>Total On-Behalf</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,282,377</b>	<b>(3,282,377)</b>
<b>Total Undistributed Expenditures</b>	<b>20,935,842</b>	<b>66,506</b>	<b>21,002,348</b>	<b>23,019,415</b>	<b>(2,017,067)</b>
<b>Total Current Expenditures</b>	<b>33,790,061</b>	<b>257,269</b>	<b>34,047,330</b>	<b>35,976,812</b>	<b>(1,929,482)</b>
<b>CAPITAL OUTLAY</b>					
Equipment					
Regular Programs - Instruction					
Grades 1-5	42,000	-	42,000	42,000	-
Grades 6-8	11,000	-	11,000	11,000	-
Grades 9-12	11,000	20,322	31,322	27,095	4,227
School Sponsored and Other Instructional Programs		8,131	8,131	8,131	-
Undistributed					
Instruction	68,000	(42,825)	25,175	25,175	-
School Admin	4,400	-	4,400	-	4,400
Admin. Info. Tech.		46,825	46,825	46,825	-
Clean, Repair and Maint. Services		942	942	-	942
Custodial Services	40,000	-	40,000	37,574	2,426
Care and Upkeep of Grounds	38,000	(8,541)	29,459	22,000	7,459
School Buses - Regular	-	24,789	24,789	24,789	-
<b>Total Equipment</b>	<b>214,400</b>	<b>49,643</b>	<b>264,043</b>	<b>244,589</b>	<b>19,454</b>
Facilities Acquisition and Construction Services					
Other Purchased Professional and Technical Services		39,000	39,000	31,279	7,721
Construction Services	25,000	509,372	534,372	240,218	294,154
Assessment for Debt Service on SDA Funding	40,094	-	40,094	40,094	-
<b>Total Facilities Acquisition and Construction Services</b>	<b>65,094</b>	<b>548,372</b>	<b>613,466</b>	<b>311,591</b>	<b>301,875</b>
Assets Acquired Under Capital Lease					
<b>Total Capital Outlay</b>	<b>279,494</b>	<b>598,015</b>	<b>877,509</b>	<b>556,180</b>	<b>321,329</b>
<b>Total General Fund</b>	<b>34,069,555</b>	<b>855,284</b>	<b>34,924,839</b>	<b>36,532,992</b>	<b>(1,608,153)</b>
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(902,382)	(855,284)	(1,757,666)	75,841	1,833,507

**NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
Other Financing Sources (Uses)					
Transfers In - Enterprise Funds	-	-	-	\$ 1,969	\$ 1,969
Total Other Financing Sources (Uses)	-	-	-	1,969	1,969
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under)					
Expenditures and Other Financing Sources (Uses)	\$ (902,382)	\$ (855,284)	\$ (1,757,666)	77,810	1,835,476
Fund Balance, Beginning of Year	3,294,433	-	3,294,433	3,294,433	-
Fund Balance, End of Year	<u>\$ 2,392,051</u>	<u>\$ (855,284)</u>	<u>\$ 1,536,767</u>	<u>\$ 3,372,243</u>	<u>\$ 1,835,476</u>

**Reconciliation of Governmental Funds Statements (GAAP)**

Restricted Fund Balance	
Capital Reserve	\$ 111,319
Maintenance Reserve	18,874
Emergency Reserve	285,199
Excess Surplus (2017/18 Budget)	863,035
Excess Surplus - Designated for Subsequent Year's Budget (2016/17 Budget)	831,014
Committed Fund Balance	
Year End Encumbrances	305,410
Assigned Fund Balance	
Year End Encumbrances	250,606
Unassigned Fund Balance	<u>706,786</u>
Fund Balance- Budgetary Basis	3,372,243
Less: State Aid Revenue not recognized on GAAP basis	<u>(592,419)</u>
Fund Balance per Governmental Funds Statements (GAAP)	<u>\$ 2,779,824</u>

**NEW MILFORD BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State	\$ 447,493	\$ (10,277)	\$ 437,216	\$ 372,014	\$ (65,202)
Federal	799,518	119,629	919,147	813,661	(105,486)
Local	-	39,271	39,271	31,636	(7,635)
Total Revenues	<u>1,247,011</u>	<u>148,623</u>	<u>1,395,634</u>	<u>1,217,311</u>	<u>(178,323)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers		175,445	175,445	153,144	22,301
Purchased Professional/Technical Services	951,845	(674,033)	277,812	217,572	60,240
Other Purchased Services	246,140	132,650	378,790	356,070	22,720
General Supplies		189,976	189,976	142,586	47,390
Textbooks	35,926	390	36,316	35,435	881
Other Objects	-	10,510	10,510	6,552	3,958
Total Instruction	<u>1,233,911</u>	<u>(165,062)</u>	<u>1,068,849</u>	<u>911,359</u>	<u>157,490</u>
Support Services					
Salaries of Teachers		7,983	7,983	4,347	3,636
Salaries of Other Professional Staff	-	56,570	56,570	55,677	893
Purchased Professional/Technical Services		29,400	29,400	24,149	5,251
Other Purchased Services		118,782	118,782	118,987	(205)
Supplies and Materials	-	55,739	55,739	53,898	1,841
Other Objects	-	1,000	1,000	401	599
Indirect Costs	-	3,968	3,968	3,645	323
Total Support Services	<u>-</u>	<u>273,442</u>	<u>273,442</u>	<u>261,104</u>	<u>12,338</u>
Unallocated Benefits					
Employee Benefits	-	35,353	35,353	34,858	495
Facilities Acquisition and Equipment					
Instructional Equipment	13,100	4,890	17,990	9,990	8,000
Total Facilities Acquisition and Equipment	<u>13,100</u>	<u>4,890</u>	<u>17,990</u>	<u>9,990</u>	<u>8,000</u>
Total Expenditures	<u>1,247,011</u>	<u>148,623</u>	<u>1,395,634</u>	<u>1,217,311</u>	<u>178,323</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures					
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**NEW MILFORD BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULES  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the Special Revenue Fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedule	(C-1) \$ 36,608,833	(C-2) \$ 1,217,311
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances June 30, 2016		(20,362)
State Aid payments not recognized for budgetary purposes, recognized for GAAP statements. 2014/2015 State Aid	611,595	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements. 2015/2016 State Aid	<u>(592,419)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2) \$ <u>36,628,009</u>	(B-2) \$ <u>1,196,949</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 36,532,992	(C-2) \$ 1,217,311
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes.		
Encumbrances June 30, 2016	<u>-</u>	<u>(20,362)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>36,532,992</u>	(B-2) \$ <u>1,196,949</u>

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**PENSION INFORMATION**

NEW MILFORD BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Employees Retirement System

Last Three Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.04849%	0.04851%	0.04559%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 10,986,056</u>	<u>\$ 9,084,183</u>	<u>\$ 8,714,770</u>
District's Covered-Employee Payroll	<u>\$ 3,404,892</u>	<u>\$ 3,226,012</u>	<u>\$ 3,209,279</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	322.66%	281.59%	271.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

\* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

NEW MILFORD BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT CONTRIBUTIONS

Public Employees Retirement System

Last Three Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 420,753	\$ 399,988	\$ 347,694
Contributions in Relation to the Contractually Required Contribution	<u>420,753</u>	<u>399,988</u>	<u>347,694</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	<u>\$ 3,226,012</u>	<u>\$ 3,226,012</u>	<u>\$ 3,209,279</u>
Contributions as a Percentage of Covered-Employee Payroll	13.04%	12.40%	10.83%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**NEWMILFORD BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Teachers Pension and Annuity Fund**

**Last Three Fiscal Years\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 80,628,389</u>	<u>\$ 65,249,801</u>	<u>\$ 63,067,602</u>
Total	<u>\$ 80,628,389</u>	<u>\$ 65,249,801</u>	<u>\$ 63,067,602</u>
District's Covered-Employee Payroll	<u>\$ 13,137,889</u>	<u>\$ 13,064,513</u>	<u>\$ 12,476,921</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%	33.76%

\* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**NEW MILFORD BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
AND SCHEDULE OF DISTRICT CONTRIBUTIONS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Change of Benefit Terms:** None.

**Change of Assumptions:** Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4.

**SCHOOL LEVEL SCHEDULES**

**NOT APPLICABLE**



**SPECIAL REVENUE FUND**

**NEW MILFORD BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	NM Education Foundation	Other Local Grants	Ch. 192 Sves.				Ch. 193 Sves.			Total Page 2	Grand Total 2016
			Nonpublic Compensatory Education	Nonpublic ESL	Nonpublic Transport	Home Instruction	Nonpublic Supplemental Instruction	Nonpublic Exam./ Classification	Nonpublic Corrective Speech		
<b>REVENUES</b>											
Intergovernmental											
State			\$ 108,080	\$ 23,067	\$ 39,525	\$ 415	\$ 31,286	\$ 7,437	\$ 32,832	\$ 129,372	\$ 372,014
Federal										813,661	813,661
Local Sources	\$ 22,771	\$ 8,865	-	-	-	-	-	-	-	-	31,636
<b>Total Revenues</b>	<b>\$ 22,771</b>	<b>\$ 8,865</b>	<b>\$ 108,080</b>	<b>\$ 23,067</b>	<b>\$ 39,525</b>	<b>\$ 415</b>	<b>\$ 31,286</b>	<b>\$ 7,437</b>	<b>\$ 32,832</b>	<b>\$ 943,033</b>	<b>\$ 1,217,311</b>
<b>EXPENDITURES</b>											
Instruction											
Salaries of Teachers		\$ 6,390						\$ 6,212		\$ 140,542	\$ 153,144
Purchased Professional & Technical Services	\$ 21,105		\$ 100,762	\$ 20,792			\$ 28,886		\$ 30,182	\$ 15,845	\$ 217,572
Other Purchased Services					\$ 39,525	\$ 415				\$ 316,130	\$ 356,070
General Supplies	1,666	2,475								\$ 138,445	\$ 142,586
Textbooks										\$ 35,435	\$ 35,435
Other Objects										\$ 6,552	\$ 6,552
<b>Total Instruction</b>	<b>22,771</b>	<b>8,865</b>	<b>100,762</b>	<b>20,792</b>	<b>39,525</b>	<b>415</b>	<b>28,886</b>	<b>6,212</b>	<b>30,182</b>	<b>652,949</b>	<b>911,359</b>
Support Services											
Salaries of Teachers										4,347	4,347
Salaries of Other Professional Staff			7,318	2,275			2,400	1,225	2,650	39,809	55,677
Personal Services Employee-Benefits										34,858	34,858
Purchased Professional & Technical Services										24,149	24,149
Other Purchased Services										118,987	118,987
Supplies and Materials										53,898	53,898
Other Objects										401	401
Indirect Costs										3,645	3,645
<b>Total Support Services</b>	<b>-</b>	<b>-</b>	<b>7,318</b>	<b>2,275</b>	<b>-</b>	<b>-</b>	<b>2,400</b>	<b>1,225</b>	<b>2,650</b>	<b>280,094</b>	<b>295,962</b>
Capital Outlay											
Instructional Equipment										9,990	9,990
<b>Total Capital Outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,990</b>	<b>9,990</b>
<b>Total Expenditures</b>	<b>\$ 22,771</b>	<b>\$ 8,865</b>	<b>\$ 108,080</b>	<b>\$ 23,067</b>	<b>\$ 39,525</b>	<b>\$ 415</b>	<b>\$ 31,286</b>	<b>\$ 7,437</b>	<b>\$ 32,832</b>	<b>\$ 943,033</b>	<b>\$ 1,217,311</b>

(Continued)

**NEW MILFORD BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Title I	Title II A	Title III	Title III Immigrant	IDEA Part B-Basic	IDEA Part B Preschool	Nonpublic Nursing	Nonpublic Textbooks	Nonpublic Security	Nonpublic Technology	Total
<b>REVENUES</b>											
Intergovernmental											
State											
Federal	\$ 165,002	\$ 27,171	\$ 23,525	\$ 17,362	\$ 575,750	\$ 4,851	\$ 60,750	\$ 35,435	\$ 16,872	\$ 16,315	\$ 129,372
Local Sources	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 165,002</u>	<u>\$ 27,171</u>	<u>\$ 23,525</u>	<u>\$ 17,362</u>	<u>\$ 575,750</u>	<u>\$ 4,851</u>	<u>\$ 60,750</u>	<u>\$ 35,435</u>	<u>\$ 16,872</u>	<u>\$ 16,315</u>	<u>\$ 943,033</u>
<b>EXPENDITURES</b>											
<b>Instruction</b>											
Salaries of Teachers	\$ 107,622		\$ 7,500	\$ 3,060	\$ 22,360						\$ 140,542
Purchased Professional & Technical Services					15,845						15,845
Other Purchased Services					255,380		\$ 60,750				316,130
General Supplies	31,410		12,436	10,452	47,822	\$ 3,965		\$ 16,872	\$ 15,488		138,445
Textbooks								\$ 35,435			35,435
Other Objects	-	-	-	-	6,552	-	-	-	-	-	6,552
<b>Total Instruction</b>	<u>139,032</u>	<u>-</u>	<u>19,936</u>	<u>13,512</u>	<u>347,959</u>	<u>3,965</u>	<u>60,750</u>	<u>35,435</u>	<u>16,872</u>	<u>15,488</u>	<u>652,949</u>
<b>Support Services</b>											
Salaries of Teachers	4,000		218	129							4,347
Salaries of Other Professional Staff					38,982					827	39,809
Personal Services Employee-Benefits	17,807	\$ 470	1,871		14,710						34,858
Purchased Professional & Technical Services		24,149									24,149
Other Purchased Services	2,380		1,500		115,107						118,987
Supplies and Materials	1,783	2,552		3,721	44,956	886					53,898
Other Objects					401						401
Indirect Costs	-	-	-	-	3,645	-	-	-	-	-	3,645
<b>Total Support Services</b>	<u>25,970</u>	<u>27,171</u>	<u>3,589</u>	<u>3,850</u>	<u>217,801</u>	<u>886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>827</u>	<u>280,094</u>
<b>Capital Outlay</b>											
Instructional Equipment	-	-	-	-	9,990	-	-	-	-	-	9,990
<b>Total Capital Outlay</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,990</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,990</u>
<b>Total Expenditures</b>	<u>\$ 165,002</u>	<u>\$ 27,171</u>	<u>\$ 23,525</u>	<u>\$ 17,362</u>	<u>\$ 575,750</u>	<u>\$ 4,851</u>	<u>\$ 60,750</u>	<u>\$ 35,435</u>	<u>\$ 16,872</u>	<u>\$ 16,315</u>	<u>\$ 943,033</u>

**NEW MILFORD BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

**CAPITAL PROJECTS FUND**

**NEW MILFORD BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Issue/ Project Title</u>	<u>Modified Appropriation</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2016</u>
		<u>Prior Years</u>	<u>Current Year</u>	
Boiler Replacement at Berkley Street Elementary School	\$ 929,310	\$ 763,843	\$ -	\$ 165,467
Roof Replacement at David E. Owens Middle School	<u>1,628,909</u>	<u>1,376,960</u>	<u>-</u>	<u>251,949</u>
	<u>\$ 2,558,219</u>	<u>\$ 2,140,803</u>	<u>\$ -</u>	<u>\$ 417,416</u>
				Project Balance \$ <u>417,416</u>
				Fund Balance, GAAP Basis \$ <u>417,416</u>
				<b><u>Reconciliation of Fund Balance</u></b>
				Restricted
				Available for Capital Projects \$ <u>417,416</u>
				Total Fund Balance - Restricted for Capital Projects \$ <u>417,416</u>

**NEW MILFORD BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Expenditures and Other Financing Uses****Expenditures**

State Facilities Grant Cancelled	\$ <u>189,400</u>
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Total Expenditures and Other Financing Uses	<u>189,400</u>
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Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(189,400)
---	-----------

Fund Balance, Beginning of Year	<u>606,816</u>
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Fund Balance, End of Year	\$ <u>417,416</u>
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**Reconciliation to GAAP Basis:**

Fund Balance (Budgetary Basis)	\$ <u>417,416</u>
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Fund Balance (GAAP Basis)	\$ <u>417,416</u>
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**NEW MILFORD BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
BOILER REPLACEMENT AT BERKLEY STREET ELEMENTARY SCHOOL  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources- SDA Grant	\$ 447,484	\$ (189,400)	\$ 258,084	\$ 258,084
Transfers from Capital Reserve	<u>671,226</u>	<u>-</u>	<u>671,226</u>	<u>671,226</u>
 Total Revenues and Other Financing Sources	 <u>1,118,710</u>	 <u>(189,400)</u>	 <u>929,310</u>	 <u>929,310</u>
<b>Expenditures and Other Financing Uses</b>				
Legal Services	\$ 1,920		\$ 1,920	\$ 1,920
Purchased Professional and Technical Services	87,094		87,094	87,094
Construction Services	674,510		674,510	839,977
Miscellaneous Purchased Services	<u>319</u>	<u>-</u>	<u>319</u>	<u>319</u>
 Total Expenditures and Other Financing Uses	 <u>763,843</u>	 <u>-</u>	 <u>763,843</u>	 <u>929,310</u>
 Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	 <u>\$ 354,867</u>	 <u>\$ (189,400)</u>	 <u>\$ 165,467</u>	 <u>\$ -</u>

**Additional Project Information:**

DOE Project Number	3550-060-14-1001
SDA Project Number	3550-060-14-G1FD
SDA Grant Date	5/22/2014
SDA Grant #	G5-4887
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 1,118,710
Additional Authorized Cost	<u>(189,400)</u>
Revised Authorized Cost	\$ 929,310

**Percentage Increase Over Original**

Authorized Cost	-16.93%
Percentage Completion	82.19%
Original Target Completion Date	2014/15
Revised Target Completion Date	2014/15



NEW MILFORD BOARD OF EDUCATION  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS  
 ROOF REPLACEMENT AT DAVID E. OWENS MIDDLE SCHOOL  
 FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<b>Revenues and Other Financing Sources</b>				
State Sources- SDA Grant	\$ 550,784		\$ 550,784	\$ 550,784
Transfers from Capital Reserve	1,078,125	-	1,078,125	1,078,125
Total Revenues and Other Financing Sources	<u>1,628,909</u>	<u>-</u>	<u>1,628,909</u>	<u>1,628,909</u>
<b>Expenditures and Other Financing Uses</b>				
Legal Services	\$ 1,345		\$ 1,345	\$ 1,345
Purchased Professional and Technical Services	128,415		128,415	128,415
Construction Services	1,247,080		1,247,080	1,499,029
Miscellaneous Purchased Services	120	-	120	120
Total Expenditures and Other Financing Uses	<u>1,376,960</u>	<u>-</u>	<u>1,376,960</u>	<u>1,628,909</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 251,949</u>	<u>\$ -</u>	<u>\$ 251,949</u>	<u>-</u>
<b>Additional Project Information:</b>				
DOE Project Number	3550-085-14-1002			
SDA Project Number	3550-085-14-G2UX			
SDA Grant Date	5/22/2014			
SDA Grant #	G5-5965			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 1,796,875			
Adjustment to Authorized Cost	<u>(167,966)</u>			
Revised Authorized Cost	\$ 1,628,909			
Percentage Increase Over Original Authorized Cost	-9.35%			
Percentage Completion	84.53%			
Original Target Completion Date	2014/15			
Revised Target Completion Date	2014/15			

**PROPRIETARY FUNDS**

**NEW MILFORD BOARD OF EDUCATION  
ENTERPRISE FUNDS - NON-MAJOR  
STATEMENT OF NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Non-Major Enterprise Funds</u>		
	<u>Broadway Kids Summer Program</u>	<u>After School Enrichment Program</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,190	\$ 24,479	\$ 32,669
Total Assets	<u>8,190</u>	<u>24,479</u>	<u>32,669</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	-	242	242
Unearned Revenue	<u>6,020</u>	<u>-</u>	<u>6,020</u>
Total Current Liabilities	<u>6,020</u>	<u>242</u>	<u>6,262</u>
<b>NET POSITION</b>			
Unrestricted	<u>2,170</u>	<u>24,237</u>	<u>26,407</u>
Total Net Position	<u>\$ 2,170</u>	<u>\$ 24,237</u>	<u>\$ 26,407</u>

**NEW MILFORD BOARD OF EDUCATION  
ENTERPRISE FUND - NON-MAJOR  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Non-Major Enterprise Funds</u>		
	<u>Broadway Kids Summer Program</u>	<u>After School Enrichment Program</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for Services Program Fees	\$ 18,875	\$ 9,770	\$ 28,645
	<u>18,875</u>	<u>9,770</u>	<u>28,645</u>
Total Operating Revenues			
<b>OPERATING EXPENSES</b>			
Salaries and Employee Benefits	14,940	5,186	20,126
Other Purchased Services	1,350		1,350
Supplies and Materials	790	995	1,785
	<u>17,080</u>	<u>6,181</u>	<u>23,261</u>
Total Operating Expenses			
Operating Income	<u>1,795</u>	<u>3,589</u>	<u>5,384</u>
<b>NONOPERATING REVENUES</b>			
Interest	<u>34</u>	<u>47</u>	<u>81</u>
Total Nonoperating Revenue	<u>34</u>	<u>47</u>	<u>81</u>
Change in Net Position Before Transfers	<u>1,829</u>	<u>3,636</u>	<u>5,465</u>
Transfers Out	<u>(31)</u>	<u>(22)</u>	<u>(53)</u>
Change in Net Position	1,798	3,614	5,412
Total Net Position, Beginning of Year	<u>372</u>	<u>20,623</u>	<u>20,995</u>
Total Net Position, End of Year	<u>\$ 2,170</u>	<u>\$ 24,237</u>	<u>\$ 26,407</u>

**NEW MILFORD BOARD OF EDUCATION  
ENTERPRISE FUND - NON-MAJOR  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Non-Major Enterprise Funds</u>		
	<u>Broadway Kids Summer Program</u>	<u>After School Enrichment Program</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$ 19,464	\$ 9,770	\$ 29,234
Cash Payments for Employees Salaries & Benefits	(14,940)	(5,186)	(20,126)
Cash Payments to Suppliers for Goods and Services	(2,140)	(1,112)	(3,252)
Net Cash Provided by Operating Activities	<u>2,384</u>	<u>3,472</u>	<u>5,856</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Cash Payments to Other Funds	(31)	(22)	(53)
Net Cash Used by Noncapital Financing Activities	<u>(31)</u>	<u>(22)</u>	<u>(53)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on Investments	34	47	81
Net Cash Provided by Investing Activities	<u>34</u>	<u>47</u>	<u>81</u>
Net Increase in Cash and Cash Equivalents	2,387	3,497	5,884
Cash and Cash Equivalents, Beginning of Year	<u>5,803</u>	<u>20,982</u>	<u>26,785</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,190</u>	<u>\$ 24,479</u>	<u>\$ 32,669</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating Income	\$ 1,795	\$ 3,589	\$ 5,384
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Increase/(Decrease) in Accounts Payable		(117)	(117)
Increase/(Decrease) in Unearned Revenue	589	-	589
Total Adjustments	<u>589</u>	<u>(117)</u>	<u>472</u>
Net Cash Provided by Operating Activities	<u>\$ 2,384</u>	<u>\$ 3,472</u>	<u>\$ 5,856</u>

**FIDUCIARY FUNDS**

**NEW MILFORD BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES  
AS OF JUNE 30, 2016**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash	\$ 174,126	\$ 361,076	\$ 535,202
Total Assets	<u>\$ 174,126</u>	<u>\$ 361,076</u>	<u>\$ 535,202</u>
<b>LIABILITIES</b>			
Employee Deposits Payable		\$ 360,740	\$ 360,740
Payroll Deductions and Withholdings		230	230
Due to Other Fund		106	106
Due to Student Groups	<u>\$ 174,126</u>	<u>-</u>	<u>174,126</u>
Total Liabilities	<u>\$ 174,126</u>	<u>\$ 361,076</u>	<u>\$ 535,202</u>

**NEW MILFORD BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8



**NEW MILFORD BOARD OF EDUCATION**  
**FIDUCIARY FUNDS**  
**STUDENT ACTIVITY AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<b>Balance, July 1, <u>2015</u></b>	<b><u>Receipts</u></b>	<b><u>Disbursements</u></b>	<b>Balance, June 30, <u>2016</u></b>
GIBBS SCHOOL	\$ 17,450	\$ 1,992	\$ 91	\$ 19,351
BERKLEY SCHOOL	17,030	6,626	5,843	17,813
FIELD TRIPS	-	29	-	29
MIDDLE SCHOOL	25,500	118,131	111,572	32,059
HIGH SCHOOL				
Activity Account	86,543	245,397	244,908	87,032
Athletic Account	<u>9,708</u>	<u>60,642</u>	<u>52,508</u>	<u>17,842</u>
Total All Schools	<u>\$ 156,231</u>	<u>\$ 432,817</u>	<u>\$ 414,922</u>	<u>\$ 174,126</u>

**NEW MILFORD BOARD OF EDUCATION**  
**FIDUCIARY FUNDS**  
**PAYROLL AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Balance, July 1, <u>2015</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, June 30, <u>2016</u>
<b>ASSETS</b>				
Cash	\$ 353,873	\$ 22,391,948	\$ 22,384,745	\$ 361,076
Total Assets	<u>\$ 353,873</u>	<u>\$ 22,391,948</u>	<u>\$ 22,384,745</u>	<u>\$ 361,076</u>
<b>LIABILITIES</b>				
Employee Deposits Payable	\$ 353,567	\$ 365,751	\$ 358,578	\$ 360,740
Accrued Salaries and Wages		12,502,970	12,502,970	
Payroll Deductions and Withholdings	185	9,522,009	9,521,964	230
Due to Other Funds	<u>121</u>	<u>1,218</u>	<u>1,233</u>	<u>106</u>
Total Liabilities	<u>\$ 353,873</u>	<u>\$ 22,391,948</u>	<u>\$ 22,384,745</u>	<u>\$ 361,076</u>

**LONG-TERM DEBT**

NEW MILFORD BOARD OF EDUCATION  
 LONG-TERM DEBT  
 SCHEDULE OF BONDS PAYABLE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2015</u>	<u>Decreased</u>	<u>Balance, June 30, 2016</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Bonds	4/15/2009	\$ 4,515,000	8/15/2016	\$ 440,000	4.00%	<u>\$ 2,600,000</u>	<u>\$ 435,000</u>	<u>\$ 2,165,000</u>
			8/15/2017	435,000	4.00%			
			8/15/2018	435,000	4.00%			
			8/15/2019	430,000	4.00%			
			8/15/2020	425,000	4.00%			
					<u>\$ 2,600,000</u>	<u>\$ 435,000</u>	<u>\$ 2,165,000</u>	
						<u>\$ 415,000</u>		

**NEW MILFORD BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES AND LEASE PURCHASE AGREEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Capital Leases</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2015</u>	<u>Retired</u>	<u>Balance, June 30, 2016</u>
2013 Model 31 Passenger School Bus	2.80%	99,795	\$ 20,502	\$ 20,502	-
2015 Phone Equipment Lease	2.58%	349,676	230,599	113,816	\$ 116,783
2015 54 Passenger School Bus	2.38%	97,365	83,635	20,177	63,458
Kubota Backhoe Loader		49,911	48,708	7,219	41,489
2016 31 Passenger School Bus	2.30%	50,487	<u>40,487</u>	<u>9,779</u>	<u>30,708</u>
<b>Total Capital Leases</b>			<u>\$ 423,931</u>	<u>\$ 171,493</u>	<u>\$ 252,438</u>
			Paid by Budget Appropriation	<u>\$ 171,493</u>	
 <u>Lease Purchase Agreements</u>					
Purchase of Chromebook Laptops and Supplies	5.61%	158,750	<u>\$ 102,917</u>	<u>\$ 50,054</u>	<u>\$ 52,863</u>
<b>Total Lease Purchase Agreements</b>			<u>\$ 102,917</u>	<u>\$ 50,054</u>	<u>\$ 52,863</u>
			Paid by Budget Appropriation	<u>\$ 50,054</u>	

**NEW MILFORD BOARD OF EDUCATION  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 530,300	-	\$ 530,300	\$ 530,300	\$ -
Total Revenues	<u>530,300</u>	<u>-</u>	<u>530,300</u>	<u>530,300</u>	<u>-</u>
<b>EXPENDITURES</b>					
Regular Debt Service					
Principal	435,000		435,000	435,000	
Interest on Bonds	95,300	-	95,300	95,300	-
Total Expenditures	<u>530,300</u>	<u>-</u>	<u>530,300</u>	<u>530,300</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## STATISTICAL SECTION

This part of the New Milford Board of Education's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

### Contents

### Exhibits

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

J-1 to J-5

#### **Revenue Capacity**

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

J-10 to J-13

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**NEW MILFORD BOARD OF EDUCATION**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**  
*(accrual basis of accounting)*

	2007	2008	2009	2010	Fiscal Year Ending June 30,		2013	2014	2015	2016
					2011 (Restated)	2012 (Restated)				
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 14,749,804	\$ 15,173,707	\$ 15,904,051	\$ 16,637,735	\$ 16,835,791	\$ 17,328,221	\$ 17,617,446	\$ 17,962,388	\$ 20,009,921	\$ 20,466,995
Restricted	755,976	776,832	676,420	1,003,566	1,612,894	1,591,439	1,807,108	2,070,989	852,217	547,609
Unrestricted	894,872	1,024,198	660,376	312,264	1,149,166	1,994,416	2,512,336	(6,600,279)	(7,113,835)	(7,111,050)
<b>Total Governmental Activities Net Position</b>	<b>\$ 16,400,652</b>	<b>\$ 16,974,737</b>	<b>\$ 17,240,847</b>	<b>\$ 17,953,565</b>	<b>\$ 19,597,851</b>	<b>\$ 20,914,076</b>	<b>\$ 21,936,890</b>	<b>\$ 13,433,098</b>	<b>\$ 13,748,303</b>	<b>\$ 13,903,554</b>
<b>Business-Type Activities</b>										
Net Investment in Capital Assets			\$ 100,010	\$ 98,757	\$ 91,207	\$ 83,657	\$ 89,469	\$ 86,190	\$ 87,431	\$ 73,037
Restricted										
Unrestricted	\$ 299,124	\$ 353,580	304,597	324,040	410,103	463,927	499,795	570,601	568,752	536,454
<b>Total Business-Type Activities Net Position</b>	<b>\$ 299,124</b>	<b>\$ 353,580</b>	<b>\$ 404,607</b>	<b>\$ 422,797</b>	<b>\$ 501,310</b>	<b>\$ 547,584</b>	<b>\$ 589,264</b>	<b>\$ 656,791</b>	<b>\$ 656,183</b>	<b>\$ 609,491</b>
<b>District-Wide</b>										
Net Investment in Capital Assets	\$ 14,749,804	\$ 15,173,707	\$ 16,004,061	\$ 16,736,492	\$ 16,926,998	\$ 17,411,878	\$ 17,706,915	\$ 18,048,578	\$ 20,097,352	\$ 20,540,032
Restricted	755,976	776,832	676,420	1,003,566	1,612,894	1,591,439	1,807,108	2,070,989	852,217	547,609
Unrestricted	1,193,996	1,377,778	964,973	636,304	1,559,269	2,458,343	3,012,131	(6,029,678)	(6,545,083)	(6,574,596)
<b>Total District Net Position</b>	<b>\$ 16,699,776</b>	<b>\$ 17,328,317</b>	<b>\$ 17,643,454</b>	<b>\$ 18,376,362</b>	<b>\$ 20,099,161</b>	<b>\$ 21,461,660</b>	<b>\$ 22,526,154</b>	<b>\$ 14,089,889</b>	<b>\$ 14,404,486</b>	<b>\$ 14,513,045</b>

Note 1 - Net Position at June 30, 2011 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities".

Note 2 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pension".

Source: District's financial statements



**NEW MILFORD BOARD OF EDUCATION**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**  
*(accrual basis of accounting)*

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
<b>Governmental Activities</b>										
<b>Instruction</b>										
Regular	\$ 11,463,472	\$ 11,774,632	\$ 11,471,290	\$ 12,015,579	\$ 11,559,201	\$ 12,208,712	\$ 12,892,419	\$ 13,219,329	\$ 16,008,564	\$ 16,374,576
Special Education	4,578,259	4,789,501	4,938,486	5,695,645	5,497,116	5,238,766	5,662,426	5,377,054	6,070,665	6,604,863
Other Instruction	224,748	347,005	342,508	293,040	306,805	409,371	292,546	417,445	504,294	580,206
School Sponsored Activities and Athletics	667,662	745,705	770,039	804,498	778,712	865,317	1,024,342	991,372	1,090,855	1,197,498
Community Services										
<b>Support Services:</b>										
Student & Instruction Related Services	3,581,291	3,829,465	4,022,122	4,391,407	4,114,083	4,468,086	4,651,601	5,021,956	6,151,420	6,056,812
General Administration Services	933,430	908,734	892,531	703,105	824,124	853,216	881,409	871,600	1,240,434	987,168
School Administrative Services	1,690,128	1,863,044	1,743,640	1,864,842	1,850,285	2,007,054	2,111,934	2,285,356	2,637,528	3,044,203
Central and Other Support Services	831,459	885,760	857,042	776,411	840,299	927,914	1,065,034	1,122,455	1,142,404	1,119,086
Plant Operations and Maintenance	4,327,593	3,739,558	3,782,844	4,069,459	3,971,247	3,979,209	4,162,099	4,693,242	4,576,492	4,842,898
Pupil Transportation	803,672	893,246	866,951	844,057	865,280	907,675	977,399	1,001,579	1,028,715	1,174,887
Interest On Long-Term Debt	268,206	251,699	177,530	176,275	158,376	145,533	129,936	112,175	98,437	84,856
<b>Total Governmental Activities Expenses</b>	<b>29,369,920</b>	<b>30,028,349</b>	<b>29,864,983</b>	<b>31,634,318</b>	<b>30,765,528</b>	<b>32,010,853</b>	<b>33,851,145</b>	<b>35,113,563</b>	<b>40,549,808</b>	<b>42,067,053</b>
<b>Business-Type Activities:</b>										
Food Service	679,209	675,807	657,634	676,803	640,819	645,761	658,157	667,601	688,173	758,581
Knight Care Latch Key Program	212,970	263,256	260,333	272,386	286,257	301,876	348,778	382,395	404,012	470,431
Broadway Kids Summer Enrichment Program					6,685	11,472	14,982	18,795	18,407	17,080
After School Enrichment Program					-	14,445	5,718	17,588	13,062	6,181
<b>Total Business-Type Activities Expense</b>	<b>892,179</b>	<b>939,063</b>	<b>917,967</b>	<b>949,189</b>	<b>933,761</b>	<b>973,554</b>	<b>1,027,635</b>	<b>1,086,379</b>	<b>1,123,654</b>	<b>1,252,273</b>
<b>Total District Expenses</b>	<b>\$ 30,262,099</b>	<b>\$ 30,967,412</b>	<b>\$ 30,782,950</b>	<b>\$ 32,583,507</b>	<b>\$ 31,699,289</b>	<b>\$ 32,984,407</b>	<b>\$ 34,878,780</b>	<b>\$ 36,199,942</b>	<b>\$ 41,673,462</b>	<b>\$ 43,319,326</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges For Services:</b>										
Special Education	\$ 7,549	\$ 4,056		\$ 67,608	\$ 1,400	\$ 95,327	\$ 96,987	\$ 175,006	\$ 348,161	\$ 396,222
Pupil Transportation	4,503	12,376	\$ 14,718	6,726	14,103	11,430	22,681	23,837	31,003	14,005
Operating Grants And Contributions	5,939,876	6,383,823	4,720,961	5,402,818	4,601,143	4,990,653	5,802,463	5,406,842	9,297,379	10,267,657
Capital Grants And Contributions	9,150	131,690	25,315	259,062	80,991		7,952	77,215	798,271	-
<b>Total Governmental Activities Program Revenues</b>	<b>5,961,078</b>	<b>6,531,945</b>	<b>4,760,994</b>	<b>5,736,214</b>	<b>4,697,637</b>	<b>5,097,410</b>	<b>5,930,083</b>	<b>5,682,900</b>	<b>10,474,814</b>	<b>10,677,884</b>
<b>Business-Type Activities:</b>										
<b>Charges For Services</b>										
Food Service	557,026	542,076	540,285	537,720	542,826	516,655	512,723	549,519	548,960	611,632
Knight Care Latch Key Program	310,044	337,000	316,404	300,427	317,699	318,530	358,421	377,202	368,789	369,270
Broadway Kids Summer Enrichment						12,525	15,790	17,952	17,799	18,875
After School Enrichment					6,640	18,010	9,030	24,240	15,400	9,770
Operating Grants And Contributions	91,964	111,241	111,575	128,535	144,535	148,648	172,751	184,209	171,149	194,753
Capital Grants And Contributions										
<b>Total Business Type Activities Program Revenues</b>	<b>959,034</b>	<b>990,317</b>	<b>968,264</b>	<b>966,682</b>	<b>1,011,700</b>	<b>1,014,368</b>	<b>1,068,715</b>	<b>1,153,122</b>	<b>1,122,097</b>	<b>1,204,300</b>
<b>Total District Program Revenues</b>	<b>\$ 6,920,112</b>	<b>\$ 7,522,262</b>	<b>\$ 5,729,258</b>	<b>\$ 6,702,896</b>	<b>\$ 5,709,337</b>	<b>\$ 6,111,778</b>	<b>\$ 6,998,798</b>	<b>\$ 6,836,022</b>	<b>\$ 11,596,911</b>	<b>\$ 11,882,184</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (23,408,842)	\$ (23,496,404)	\$ (25,103,989)	\$ (25,898,104)	\$ (26,067,891)	\$ (26,913,443)	\$ (27,921,062)	\$ (29,430,663)	\$ (30,074,994)	\$ (31,389,169)
Business-Type Activities	66,855	51,254	50,297	17,493	77,939	40,814	41,080	66,743	(1,557)	(47,973)
<b>Total District-Wide Net Expense</b>	<b>\$ (23,341,987)</b>	<b>\$ (23,445,150)</b>	<b>\$ (25,053,692)</b>	<b>\$ (25,880,611)</b>	<b>\$ (25,989,952)</b>	<b>\$ (26,872,629)</b>	<b>\$ (27,879,982)</b>	<b>\$ (29,363,920)</b>	<b>\$ (30,076,551)</b>	<b>\$ (31,437,142)</b>

**NEW MILFORD BOARD OF EDUCATION  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
(Unaudited)  
(accrual basis of accounting)**

	2007		2008		2009		2010		Fiscal Year Ending June 30,		2013		2014		2015		2016			
									2011	2012										
<b>General Revenues And Other Changes In Net Position</b>																				
<b>Governmental Activities:</b>																				
Property Taxes Levied For General Purposes	\$	22,156,722	\$	23,042,991	\$	24,033,738	\$	25,565,634	\$	26,912,223	\$	27,423,555	\$	27,972,026	\$	28,580,617	\$	29,412,229	\$	30,557,436
Property Taxes Levied For Debt Service		539,088		541,150		542,538		543,250		520,050		488,862		521,650		524,500		523,725		530,300
State Aid, Unrestricted		268,935		325,129		537,960		328,720		21,712		238,062		340,942		323,248		363,388		365,248
Investment Earnings		167,002		138,346		49,482		31,999		33,424		14,749		17,419		18,622		20,577		21,585
Miscellaneous Income		59,319		22,873		206,381		141,219		282,365		69,196		91,839		194,654		70,280		67,882
Transfers		-		-		-		-		(4,756)		-		-		-		-		1,969
<b>Total Governmental Activities</b>		<u>23,191,066</u>		<u>24,070,489</u>		<u>25,370,099</u>		<u>26,610,822</u>		<u>27,769,774</u>		<u>28,229,668</u>		<u>28,943,876</u>		<u>29,641,641</u>		<u>30,390,199</u>		<u>31,544,420</u>
<b>Business-Type Activities:</b>																				
Investment Earnings	\$	4,970	\$	3,202	\$	730	\$	697	\$	574	\$	704	\$	600	\$	784	\$	949	\$	3,250
Transfers		-		-		-		-		-		4,756		-		-		-		(1,969)
<b>Total Business-Type Activities</b>		<u>4,970</u>		<u>3,202</u>		<u>730</u>		<u>697</u>		<u>574</u>		<u>5,460</u>		<u>600</u>		<u>784</u>		<u>949</u>		<u>1,281</u>
<b>Total District-Wide</b>	\$	<u>23,196,036</u>	\$	<u>24,073,691</u>	\$	<u>25,370,829</u>	\$	<u>26,611,519</u>	\$	<u>27,770,348</u>	\$	<u>28,235,128</u>	\$	<u>28,944,476</u>	\$	<u>29,642,425</u>	\$	<u>30,391,148</u>	\$	<u>31,545,701</u>
<b>Change In Net Position</b>																				
Governmental Activities	\$	(217,776)	\$	574,085	\$	266,110	\$	712,718	\$	1,701,883	\$	1,316,225	\$	1,022,814	\$	210,978	\$	315,205	\$	155,251
Business-Type Activities		71,825		54,456		51,027		18,190		78,513		46,274		41,680		67,527		(608)		(46,692)
<b>Total District</b>	\$	<u>(145,951)</u>	\$	<u>628,541</u>	\$	<u>317,137</u>	\$	<u>730,908</u>	\$	<u>1,780,396</u>	\$	<u>1,362,499</u>	\$	<u>1,064,494</u>	\$	<u>278,505</u>	\$	<u>314,597</u>	\$	<u>108,559</u>

Source: District's financial statements

**NEW MILFORD BOARD OF EDUCATION**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**  
*(modified accrual basis of accounting)*

	2007	2008	2009	2010	Fiscal Year Ending June 30,		2013	2014	2015	2016
					2011	2012				
<b>General Fund</b>										
Reserved	\$ 1,697,939	\$ 1,209,350	\$ 601,835	\$ 1,488,108						
Unreserved	325,352	812,623	573,947	82,425						
Restricted					\$ 2,184,708	\$ 3,441,061	\$ 4,246,461	\$ 4,167,204	\$ 2,405,943	\$ 2,109,441
Committed					327,900			27,500		305,410
Assigned					267,173	323,683	440,610	408,683	164,812	250,606
Unassigned					203,491	104,153	73,923	69,119	112,083	114,367
<b>Total General Fund</b>	<u>\$ 2,023,291</u>	<u>\$ 2,021,973</u>	<u>\$ 1,175,782</u>	<u>\$ 1,570,533</u>	<u>\$ 2,983,272</u>	<u>\$ 3,868,897</u>	<u>\$ 4,760,994</u>	<u>\$ 4,672,506</u>	<u>\$ 2,682,838</u>	<u>\$ 2,779,824</u>
<b>All Other Governmental Funds</b>										
Reserved	\$ 31,030	\$ 5,565	\$ 746,473							
Unreserved	3,825	3,112	(262,205)	\$ 82,899						
Restricted					\$ 85,122	\$ 52,834	\$ 5,650	\$ 5,650	\$ 464,869	\$ 417,416
Unassigned								(101,785)	-	-
<b>Total All Other Governmental Funds</b>	<u>\$ 34,855</u>	<u>\$ 8,677</u>	<u>\$ 484,268</u>	<u>\$ 82,899</u>	<u>\$ 85,122</u>	<u>\$ 52,834</u>	<u>\$ 5,650</u>	<u>\$ (96,135)</u>	<u>\$ 464,869</u>	<u>\$ 417,416</u>

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

Source: District's financial statements

**NEW MILFORD BOARD OF EDUCATION  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Unaudited)  
(modified accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Property Tax Levy	\$ 22,695,810	\$ 23,584,141	\$ 24,576,276	\$ 26,108,884	\$ 27,432,273	\$ 27,912,417	\$ 28,493,676	\$ 29,105,117	\$ 29,935,954	\$ 31,087,736
Tuition Charges	7,549	4,056		67,608	1,400	95,327	96,987	175,006	348,161	396,222
Transportation Fees	4,503	12,376	14,718	6,726	14,103	11,430	22,681	23,837	31,003	14,005
Interest Earnings	167,002	138,346	49,482	31,999	33,424	14,749	17,419	18,622	20,577	21,585
Miscellaneous	59,319	50,071	213,206	148,719	289,865	76,896	100,190	203,154	93,272	99,518
State Sources	5,321,320	5,472,445	4,400,708	4,824,655	3,665,601	4,448,026	5,369,250	5,013,002	6,191,925	5,929,987
Federal Sources	896,641	1,209,309	876,703	1,145,800	996,985	772,989	765,804	776,445	723,262	806,205
<b>Total Revenue</b>	<b>29,152,144</b>	<b>30,470,744</b>	<b>30,131,093</b>	<b>32,334,391</b>	<b>32,433,651</b>	<b>33,331,834</b>	<b>34,866,007</b>	<b>35,315,183</b>	<b>37,344,154</b>	<b>38,355,258</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	11,462,250	11,761,369	11,394,331	11,990,404	11,560,991	12,136,986	12,822,033	13,204,131	13,830,346	14,046,403
Special Education Instruction	4,579,301	4,789,960	4,922,427	5,683,701	5,504,110	5,228,562	5,659,737	5,375,800	5,608,445	6,065,636
Other Instruction	224,748	347,005	342,508	293,040	306,805	409,371	292,546	417,445	437,272	521,826
School Sponsored Activities And Athletics	666,075	743,463	767,565	801,972	776,169	862,816	1,021,726	988,729	1,072,133	1,134,459
Community Services										
<b>Support Services:</b>										
Student & Inst. Related Services	3,574,469	3,824,579	4,004,599	4,398,833	4,118,330	4,457,732	4,600,206	5,026,197	5,585,808	5,385,421
General Administration	933,712	908,307	862,727	728,804	815,071	832,704	881,326	885,530	1,153,479	928,460
School Administrative Services	1,687,636	1,826,994	1,754,541	1,840,202	1,843,779	2,014,296	2,090,071	2,277,216	2,309,082	2,631,224
Central and Other Support Services	828,882	883,689	816,963	724,482	803,498	885,538	1,007,401	1,092,851	1,052,279	1,003,752
Plant Operations And Maintenance	3,991,081	3,373,622	3,390,526	3,663,025	3,544,301	3,552,439	3,716,527	4,109,096	4,107,545	4,181,215
Pupil Transportation	766,947	854,025	838,796	815,313	809,375	883,696	947,630	971,494	968,408	1,114,732
Capital Outlay	344,041	695,888	723,958	757,372	346,411	732,731	404,726	611,389	2,613,175	527,431
<b>Debt Service:</b>										
Principal	381,327	390,970	441,856	488,564	404,707	408,033	422,044	409,400	635,057	656,547
Interest And Other Charges	274,811	258,369	240,896	155,297	185,142	168,632	155,121	136,178	116,260	110,588
Payment to Escrow Agent			108,614							
Cost of Issuance			89,348							
<b>Total Expenditures</b>	<b>29,715,280</b>	<b>30,658,240</b>	<b>30,699,655</b>	<b>32,341,009</b>	<b>31,018,689</b>	<b>32,573,536</b>	<b>34,021,094</b>	<b>35,505,456</b>	<b>39,489,084</b>	<b>38,307,694</b>
<b>Excess (Deficiency) Of Revenues</b>										
Over (Under) Expenditures	(563,136)	(187,496)	(568,562)	(6,618)	1,414,962	758,298	844,913	(190,273)	(2,144,930)	47,564
<b>Other Financing Sources (Uses)</b>										
Capital Leases & Lease Purchase Agreements	163,000	160,000				99,795			716,266	
Refunding Bond Proceeds			4,515,000							
Premium on Refunding Bonds			282,962							
Payments To Escrow Agent			(4,600,000)							
Transfers In	3,809	753	517,567	4,925	48	14	52,834	-	1,750,042	1,969
Transfers Out	(3,809)	(753)	(517,567)	(4,925)	(48)	(4,770)	(52,834)	-	(1,750,042)	
<b>Total Other Financing Sources (Uses)</b>	<b>163,000</b>	<b>160,000</b>	<b>197,962</b>	<b>-</b>	<b>-</b>	<b>95,039</b>	<b>-</b>	<b>-</b>	<b>716,266</b>	<b>1,969</b>
<b>Net Change In Fund Balances</b>	<b>\$ (400,136)</b>	<b>\$ (27,496)</b>	<b>\$ (370,600)</b>	<b>\$ (6,618)</b>	<b>\$ 1,414,962</b>	<b>\$ 853,337</b>	<b>\$ 844,913</b>	<b>\$ (190,273)</b>	<b>\$ (1,428,664)</b>	<b>\$ 49,533</b>
<b>Debt Service As A Percentage Of</b>										
Noncapital Expenditures	2.23%	2.17%	2.28%	2.04%	1.92%	1.81%	1.72%	1.56%	2.04%	2.03%

\* Noncapital expenditures are total expenditures less capital outlay.

Source: District's financial statements

**NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
LAST TEN YEARS  
(Unaudited)**

<u>Fiscal Year Ended June 30.</u>	<u>Tuition</u>	<u>Interest</u>	<u>Rentals</u>	<u>Book Fine / Student Obligations</u>	<u>Transportation Fees</u>	<u>Enrichment Academy Fees</u>	<u>Insurance Proceeds/ FEMA</u>	<u>E-Rate</u>	<u>Student Activity Fees</u>	<u>Cancellation of Prior Year Payables</u>	<u>Refund Prior Year Expenditures</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	\$ 7,549	\$ 163,193	\$ 4,700		\$ 4,503							\$ 54,614	\$ 234,559
2008	4,056	137,832		\$ 4,564	12,376							14,832	173,660
2009		49,243		930	14,718		\$ 191,596				\$ 631	13,224	270,342
2010	67,608	27,074	6,300	2,256	6,726		87,394				7,773	37,496	242,627
2011	1,400	33,376	5,600		14,103	\$ 16,870			\$ 25,030		201,080	33,785	331,244
2012	95,327	14,735	5,600		11,430				31,050		10,745	21,801	190,688
2013	96,987	17,419		778	22,681			\$ 18,776	33,800		5,704	32,781	228,926
2014	175,006	18,622		8,328	18,141				35,945	\$ 131,100	-	24,977	412,119
2015	348,161	19,886	7,203		31,003				31,985		-	31,093	469,331
2016	396,222	21,585	10,503		14,005				32,565		-	24,814	499,694

Source: District's financial statements

**NEW MILFORD BOARD OF EDUCATION**  
**ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate <sup>a</sup>
2007	\$ 5,235,900	\$ 1,719,246,500	-	-	\$ 88,932,700	\$ 3,736,200	\$ 128,525,200	\$ 1,945,676,500	\$ 1,008,643	\$ 1,946,685,143	\$ 2,054,928,595	\$ 1.189
2008	4,315,400	1,740,682,600	-	-	87,805,600	3,736,200	126,232,400	1,962,772,200	1,032,167	1,963,804,367	2,130,101,691	1.233
2009	3,635,100	1,742,808,800	-	-	87,805,600	3,736,200	126,232,400	1,964,218,100	1,331,967	1,965,550,067	2,308,573,806	1.290
2010	4,228,000	1,741,890,200	-	-	86,861,600	3,736,200	126,232,400	1,962,948,400	1,713,878	1,964,662,278	2,040,274,816	1.357
2011	4,637,700	1,738,120,200	-	-	87,716,300	3,736,200	126,339,400	1,960,549,800	1,386,170	1,961,935,970	1,972,979,571	1.416
2012	3,766,500	1,721,056,000	-	-	86,754,500	3,736,200	128,832,200	1,944,145,400	1,331,073	1,945,476,473	1,920,143,605	1.451
2013	2,875,800	1,348,339,000	-	-	81,837,300	3,292,300	135,238,800	1,571,583,200	1,370,800	1,572,954,000	1,689,511,073	1.831
2014	2,875,800	1,347,084,200	-	-	81,736,300	3,292,300	134,224,400	1,569,213,000	1,370,781	1,570,583,781	1,732,405,608	1.880
2015	2,768,800	1,349,847,400	-	-	79,723,400	3,293,300	134,224,400	1,569,857,300	1,169,367	1,571,026,667	1,777,868,086	1.944
2016	2,574,300	1,359,100,000	-	-	79,168,400	3,292,300	134,224,400	1,578,359,400	988,151	1,579,347,551	1,835,425,401	1.997

Source: County Abstract of Ratables

<sup>a</sup> Tax rates are per \$100

**NEW MILFORD BOARD OF EDUCATION**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**  
*(rate per \$100 of assessed value)*

Assessment Year	Direct Rate	Overlapping Rates		Total Direct and Overlapping Tax Rate
	New Milford School District	New Milford Borough	Bergen County	
2007	\$ 1.189	\$ 0.620	\$ 0.191	\$ 2.000
2008	1.233	0.656	0.191	2.080
2009	1.290	0.677	0.211	2.178
2010	1.357	0.729	0.202	2.288
2011	1.416	0.721	0.208	2.345
2012	1.451	0.741	0.215	2.407
2013	1.831	1.008	0.247	3.086
2014	1.880	0.978	0.259	3.117
2015	1.944	0.996	0.269	3.209
2016	1.997	1.039	0.286	3.322

Source: Tax Duplicate, Borough of New Milford

**NEW MILFORD BOARD OF EDUCATION  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)**

Taxpayer	2016		2007	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Bal Bay Realty, LTD Individual Taxpayer	\$ 43,586,400	2.76%	\$ 42,157,500	2.17%
NM Village LLC% Affiliated Mgmt Inc	36,733,400	2.33%	33,940,700	1.74%
Dorchester Manor	28,958,500	1.83%	27,395,000	1.41%
New Meditrust Co LLC % Woodcrest Hcc	13,500,000	0.85%	15,209,900	0.78%
Young & Bon Inc. NJ Corp.	13,130,200	0.83%	14,250,400	0.73%
730 River Rd Prop c/o Curtis Corp			4,287,600	0.22%
Milford Arms	8,366,400	0.53%	3,703,300	0.19%
Inserra Associates	5,262,600	0.33%	9,822,100	0.50%
Brookchester Shopping Center	5,624,800	0.36%	6,659,600	0.34%
Canterbury Village	3,773,800	0.24%	5,895,600	0.30%
Hackensack Water Co	5,517,100	0.35%		
<b>Total</b>	<b>\$ 164,453,200</b>	<b>10.41%</b>	<b>\$ 163,321,700</b>	<b>8.39%</b>

Source: District CAFR & Municipal Tax Assessor



**NEW MILFORD BOARD OF EDUCATION  
PROPERTY TAX LEVIES AND COLLECTIONS,  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Percentage of Levy	Collections in Subsequent Years
		Amount	Amount		
2007	\$ 22,695,810	\$ 22,695,810	\$ 22,695,810	100.00%	-
2008	23,584,141	23,584,141	23,584,141	100.00%	-
2009	24,576,276	24,576,276	24,576,276	100.00%	-
2010	26,108,884	26,108,884	26,108,884	100.00%	-
2011	27,432,273	27,432,273	27,432,273	100.00%	-
2012	27,912,417	27,912,417	27,912,417	100.00%	-
2013	28,493,676	28,493,676	28,493,676	100.00%	-
2014	29,105,117	29,105,117	29,105,117	100.00%	-
2015	29,935,954	29,935,954	29,935,954	100.00%	-
2016	31,087,736	31,087,736	31,087,736	100.00%	-

Source: School District's Financial Statements

**NEW MILFORD BOARD OF EDUCATION  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year Ended June 30,	Governmental Activities			Total District	Population	Per Capita
	General	Lease				
	Obligation Bonds	Capital Leases	Purchase Agreements			
2007	\$ 5,530,000	\$ 316,225		\$ 5,846,225	15,910	\$ 367
2008	5,235,000	380,255		5,615,255	15,890	353
2009	4,840,000	248,399		5,088,399	15,885	320
2010	4,470,000	129,835		4,599,835	15,949	288
2011	4,130,000	65,128		4,195,128	16,370	256
2012	3,775,000	111,890		3,886,890	16,483	236
2013	3,405,000	59,846		3,464,846	16,560	209
2014	3,015,000	40,446		3,055,446	16,641	184
2015	2,600,000	423,931	\$ 102,917	3,126,848	16,701	187
2016	2,165,000	252,438	52,863	2,470,301	16,801	147

Source: District Records

**NEW MILFORD BOARD OF EDUCATION  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
(Unaudited)**

General Bonded Debt Outstanding

Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
2007	\$ 5,530,000	-	\$ 5,530,000	0.28%	\$ 348
2008	5,235,000	-	5,235,000	0.27%	329
2009	4,840,000	-	4,840,000	0.25%	305
2010	4,470,000	-	4,470,000	0.23%	280
2011	4,130,000	-	4,130,000	0.21%	259
2012	3,775,000	-	3,775,000	0.19%	230
2013	3,405,000	-	3,405,000	0.22%	206
2014	3,015,000	-	3,015,000	0.19%	181
2015	2,600,000	-	2,600,000	0.17%	156
2016	2,165,000	-	2,165,000	0.14%	129

Source: District Records

**Note:** Details regarding the district's outstanding debt can be found in the notes to the financial statements.

**a** See Exhibit J J-6 for property tax data.

**b** See Exhibit J-14 for population data

**NEW MILFORD BOARD OF EDUCATION  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2015  
(Unaudited)**

<u>Governmental Unit</u>	<u>Total Debt</u>
<b>Municipal Debt: (1)</b>	
New Milford Board of Education	\$ 2,165,000
Borough of New Milford	18,175,919
<b>Overlapping Debt Apportioned to the Municipality</b>	
<b>Bergen County: (2) and (3)</b>	
County of Bergen (A)	10,430,189
Bergen County Utilities Authority - Waste Water (B)	<u>3,943,500</u>
<b>Total direct and overlapping debt</b>	<u><u>\$ 34,714,608</u></u>

- (A) The debt for this entity was apportioned by dividing the Municipality's 2015 equalized value by the total 2015 equalized value for Bergen County
- (B) Overlapping Debt was computed based upon municipal flow to the Authority

**Sources:**

- (1) Borough of New Milford 2015 Annual Debt Statement
- (2) BCUA 2015 Audit
- (3) Bergen County 2015 Annual Debt Statement

NEW MILFORD BOARD OF EDUCATION  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis
	2013 1,735,022,301
	2014 1,776,333,484
	2015 1,821,502,205
	<u>\$ 5,332,857,990</u>
	<u>\$ 1,777,619,330</u>
Debt limit (4 % of average equalization value)	\$ 71,104,773
Total Net Debt Applicable to Limit	<u>2,165,000</u>
Legal debt margin	<u>\$ 68,939,773</u>

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 72,648,170	\$ 79,683,263	\$ 83,970,797	\$ 84,022,475	\$ 82,116,793	\$ 79,377,779	\$ 76,314,895	\$73,109,948	\$ 70,976,454	\$ 71,104,773
Total net debt applicable to limit	<u>5,530,510</u>	<u>5,235,510</u>	<u>4,840,510</u>	<u>4,470,510</u>	<u>4,130,000</u>	<u>3,775,000</u>	<u>3,405,000</u>	<u>3,015,000</u>	<u>2,600,000</u>	<u>2,165,000</u>
Legal debt margin	<u>\$ 67,117,660</u>	<u>\$ 74,447,753</u>	<u>\$ 79,130,287</u>	<u>\$ 79,551,965</u>	<u>\$ 77,986,793</u>	<u>\$ 75,602,779</u>	<u>\$ 72,909,895</u>	<u>\$70,094,948</u>	<u>\$ 68,376,454</u>	<u>\$ 68,939,773</u>
Total net debt applicable to the limit as a percentage of debt limit	7.61%	6.57%	5.76%	5.32%	5.03%	4.76%	4.46%	4.12%	3.66%	3.04%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

**NEW MILFORD BOARD OF EDUCATION  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	15,910	\$ 58,785	3.4%
2008	15,890	63,814	4.5%
2009	15,885	68,147	8.0%
2010	15,949	68,548	8.2%
2011	16,370	64,571	8.10%
2012	16,483	65,275	8.20%
2013	16,560	68,244	6.10%
2014	16,641	71,380	6.80%
2015	16,701	70,498	4.40%
2016	16,801	73,536	N/A

**Source:**

United States Bureau of Census, Population Division estimates

Revisions to historical data, per capita income: US Bureau of Economic Analysis

N/A - Not Available

NEW MILFORD BOARD OF EDUCATION  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
(Unaudited)

Employer	2016		2007	
	Employees	% of Total Municipal Employment	Employees	% of Total Municipal Employment

INFORMATION IS NOT AVAILABLE

**NEW MILFORD BOARD OF EDUCATION**  
**FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
(Unaudited)

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	127	125	123	126	113	120	122	125	123.5	128.8
Special education	19	33	35	19	21	22	23	23	22.5	26.4
Other instruction	18	21	21	32	36	42	49	55	52.2	65.6
Support Services:										
Tuition										
Student & instruction related services	31	32	32	31	26	37	37	29	29.6	37.7
General administrative services	5	4	4	5	4	4	4	4	4.4	5.4
School administrative services	15	16	16	24	20	17	16	20	23.5	19.7
Business administrative services	6	6	6	7	6	8	9	9	9.0	9.0
Plant operations and maintenance	35	35	35	35	32	32	26	30	30.5	33.3
Pupil transportation	5	6	6	8	9	6	6	8	7.1	7.3
Child Care	14	19	19	22	23	21	24	32	33.0	46.0
Total	<u>275</u>	<u>297</u>	<u>297</u>	<u>309</u>	<u>290</u>	<u>309</u>	<u>316</u>	<u>335</u>	<u>335.3</u>	<u>379.2</u>

Source: District Records



**NEW MILFORD BOARD OF EDUCATION  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
(Unaudited)**

Fiscal Year	Enrollment a	Operating Expenditures b	Cost Per Pupil c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Senior High School				
2007	1,991	\$ 28,715,101	\$ 14,422	11.29%	187	23:01	19:01	2,013	1,918	0.42%	0.42%
2008	2,025	29,313,013	14,476	0.37%	196	23:01	19:01	2,021	1,936	0.40%	0.94%
2009	2,122	29,094,983	13,711	-5.28%	184	21:01	19:01	1,979	1,910	-2.08%	-1.34%
2010	2,101	30,939,776	14,726	7.40%	177	24:01	23:01	2,129	2,052	7.58%	7.43%
2011	2,131	30,082,429	14,117	-4.14%	170	24:01	20:01	2,131	2,058	0.09%	0.29%
2012	2,048	31,264,140	15,266	8.14%	184	22:01	20:01	2,048	1,990	-3.89%	-3.30%
2013	2,066	33,039,203	15,992	13.28%	194	21:01	20:01	2,066	2,000	-3.05%	-2.82%
2014	2,034	34,348,489	16,887	10.62%	148	19:01	17:01	2,014	1,954	-1.66%	-1.81%
2015	1,998	36,124,592	18,080	13.06%	146	18:01	17:01	1,979	1,919	-4.21%	-4.05%
2016	2,000	37,013,128	18,507	9.59%	149	18:01	19:01	1,997	1,937	-0.84%	-0.87%

Source: District records

Note:

- a Enrollment based on annual October district count
- b Operating expenditures equal total expenditures less debt service and capital outlay
- c Cost per pupil represents operating expenditures divided by enrollment

**NEW MILFORD BOARD OF EDUCATION  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
(Unaudited)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b><u>District Building</u></b>										
<b><u>Elementary</u></b>										
Berkley Street School										
Square Feet	49,438	49,438	49,438	49,438	49,438	49,438	49,438	49,438	49,438	49,438
Capacity (students)	410	410	410	410	410	410	410	410	410	410
Enrollment	375	383	414	413	413	419	457	459	453	436
B.F. Gibbs School										
Square Feet	48,435	48,435	48,435	48,435	48,435	48,435	48,435	48,435	48,435	48,435
Capacity (students)	519	519	519	519	519	519	519	519	519	519
Enrollment	516	515	511	524	524	499	479	449	456	474
<b><u>Middle School</u></b>										
David E. Owens Middle School										
Square Feet	80,193	80,193	80,193	80,193	80,196	80,193	80,193	80,193	80,193	80,193
Capacity (students)	496	496	496	496	496	496	496	496	496	496
Enrollment	483	503	498	498	501	503	487	481	445	453
<b><u>High School</u></b>										
New Milford High School										
Square Feet	139,920	139,920	139,920	139,920	139,920	139,920	139,920	139,920	139,920	139,920
Capacity (students)	700	700	700	700	700	700	700	700	700	700
Enrollment	600	620	693	691	691	647	643	645	631	648
Number of Schools at June 30, 2016										
Elementary =	2									
Middle School =	1									
High School =	1									

Source: District records

**NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN YEARS  
(Unaudited)**

<u>School Facilities</u>	<u>Project # (s)</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Berkley Street Elementary	N/A	\$ 74,747	\$ 69,652	\$ 83,116	\$ 73,614	\$ 92,398	\$ 108,437	\$ 95,915	\$ 133,231	\$ 100,020	\$ 109,200
B. F. Gibbs Elementary	N/A	79,258	62,489	78,244	63,672	62,814	77,706	57,800	98,284	87,155	98,936
David E. Owens Middle School	N/A	122,414	152,141	121,088	163,587	168,070	142,070	99,039	233,322	174,255	266,628
New Milford High School	N/A	<u>1,255,859</u>	<u>306,517</u>	<u>220,719</u>	<u>226,591</u>	<u>254,586</u>	<u>291,624</u>	<u>348,624</u>	<u>348,407</u>	<u>283,826</u>	<u>378,179</u>
Total School Facilities		<u>\$ 1,532,278</u>	<u>\$ 590,799</u>	<u>\$ 503,167</u>	<u>\$ 527,464</u>	<u>\$ 577,868</u>	<u>\$ 619,837</u>	<u>\$ 601,378</u>	<u>\$ 813,244</u>	<u>\$ 645,256</u>	<u>\$ 852,943</u>

NEW MILFORD BOARD OF EDUCATION  
 INSURANCE SCHEDULE  
 AS OF JUNE 30, 2016  
 (Unaudited)

	Coverage	Deductible
School Package Policy		
Spec. Multi Peril w/ Auto (1)	Refer to policy	Refer to policy
Pollution Liability (1a)	\$ 3,000,000	\$ 15,000
Crime (1b)	Refer to policy	Refer to policy
School Board E & O (1c)	1,000,000	
Excess Workers Compensation (1d)	Statutory	
Comm. Umbrella Excess (1)	9,000,000	
Comm. Umbrella Excess (1f)	50,000,000	
Student Accident Insurance (2)	5,000,000	
Surety Bonds (3)		
Treasurer	250,000	
Board Secretary/Business Administrator	100,000	
(1) Selective Way Insurance Co		
(1c) Darwin		
(1d) Star Insurance Co		
(1e) American Alternatives Insurance Co		
(1f) Fireman's Fund Insurance Co		
(2) Monumental Life Insurance Co		
(3) Ohio Casualty		

**SINGLE AUDIT SECTION**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. NICOLosi, CPA  
ROBERT AMPONSAH, CPA

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

### INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Trustees  
New Milford Board of Education  
New Milford, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Milford Board of Education as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the New Milford Board of Education's basic financial statements and have issued our report thereon dated November 30, 2016.

#### **Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the New Milford Board of Education’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the New Milford Board of Education in a separate report entitled, “Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance” dated November 30, 2016

**Purpose of this Report**

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

*Handwritten signature: Lerch, Vinci & Higgins, LLP*

LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants

*Handwritten signature: Donna L. Japhet*

Donna L. Japhet  
Public School Accountant  
PSA Number CS002314

Fair Lawn, New Jersey  
November 30, 2016



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

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

ELIZABETH A. SHICK, CPA, RMA, PSA  
ROBERT W. HAAG, CPA, PSA  
DEBORAH K. LERCH, CPA, PSA  
RALPH M. PICONE, CPA, RMA, PSA  
DEBRA GOLLE, CPA  
CINDY JANACEK, CPA, RMA  
MARK SACO, CPA  
SHERYL M. NICOLosi, CPA  
ROBERT AMPONSAH, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE U.S. UNIFORM GUIDANCE-AND  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE REQUIRED BY NEW JERSEY OMB  
CIRCULAR 15-08**

**INDEPENDENT AUDITOR’S REPORT**

Honorable President and Members  
of the Board of Trustees  
New Milford Board of Education  
New Milford, New Jersey

**Report on Compliance for Each Major Federal and State Program**

We have audited the New Milford Board of Education’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/ Grant Compliance Supplement that could have a direct and material effect on each of New Milford Board of Education’s major federal and state programs for the fiscal year ended June 30, 2016. The New Milford Board of Education’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

Management is responsible for compliance with the requirements of federal and state statutes, regulations, and the terms and conditions of its federal awards and state financial assistance applicable to its federal and state programs.

***Auditor’s Responsibility***

Our responsibility is to express an opinion on compliance for each of the New Milford Board of Education’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the New Milford Board of Education’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



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

### ***Opinion on Each Major Federal and State Program***

In our opinion, the New Milford Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the New Jersey OMB Circular 15-08 and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal and state program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

Management of the New Milford Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the New Milford Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the New Milford Board of Education's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of U.S. Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

**Report on Schedules of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the New Milford Board of Education, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated November 30, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Lerch, Vinci & Higgins, LLP*

LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants



Donna L. Japhet  
Public School Accountant  
PSA Number CS002314

Fair Lawn, New Jersey  
November 30, 2016

NEW MILFORD BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Project Period	Award Amount	Balance, June 30, 2015	Unearned Revenue Carryover Amount	Account Receivable Carryover Amount	Cash Received	Budgetary Expenditures	Funds Released		Balance, June 30, 2016		Due to Grantor	Memo GAAP Receivable
										Cancelled Accounts Receivable	Cancelled Unearned Revenue	(Accounts Receivable)	Unearned Revenue/		
<b>U.S. Department of Agriculture</b>															
<b>Passed-Through State Department of Education:</b>															
National School Lunch Program	10.555														
Non-Cash Assistance		16161NJ304N1099	7/1/15-6/30/16	\$ 43,115			\$ 43,114	\$ 41,668				\$ 1,446			
Cash Assistance		16161NJ304N1099	7/1/15 - 6/30/16	146,744			118,546	146,744				(28,198)			(28,198)
Cash Assistance			7/1/14 - 6/30/16	138,513	(12,086)		12,086								
National School Breakfast Program	10.553	16161NJ304N1099	7/1/15 - 6/30/16	443			359	443				(84)			(84)
National School Breakfast Program	10.553		7/1/14 - 6/30/15	164	(26)		26								
<b>Total Child Nutrition Cluster / Enterprise Fund</b>					(12,112)		174,131	188,855				(28,282)	1,446		(28,282)
<b>U.S. Department of Education</b>															
<b>Passed-Through State Department of Education:</b>															
<b>General Fund</b>															
Medical Assistance Program	93.778	1605NJSMP	7/1/15-6/30/16	-	-	-	2,355	2,355							
<b>Total General Fund</b>					-	-	2,355	2,355							
<b>Special Revenue Fund</b>															
Title I	84.010A	S010A150030	7/1/15 - 6/30/16	167,736	\$ 10,692	\$ (10,692)	114,162	165,002				(64,266)	13,426		(50,840)
Title I	84.010A		7/1/14 - 6/30/15	116,825	(26,890)	(10,692)	10,692	26,890							
Title II - Part A	84.367A	S367A150029	7/1/15 - 6/30/16	34,136		3,215	(3,215)	22,491	27,171			(14,860)	10,180		(4,680)
Title II - Part A	84.367A		7/1/14 - 6/30/15	34,609	(6,760)	(3,215)	3,215	6,760							
Title III	84.365A	S365A150030	7/1/15 - 6/30/16	25,195		4,651	(4,651)	17,966	23,525			(11,880)	6,321		(5,559)
Title III	84.365A		7/1/14 - 6/30/15	27,375	(6,495)	(4,651)	4,651	6,495							
Title III Immigrant	84.365A	S365A150030	7/1/15 - 6/30/16	17,304		7,196	(7,196)	4,177	17,362			(20,323)	7,138		(13,185)
Title III Immigrant	84.365A		7/1/14 - 6/30/15	19,164	(4,896)	(7,196)	7,196	4,896							
L.D.E.A. Part B, Basic	84.027A	H027A150100	7/1/15 - 6/30/16	557,423		54,146	(54,146)	553,271	561,735			(258,298)	49,834		(208,464)
L.D.E.A. Part B, Basic	84.027A		7/1/14 - 6/30/15	559,580	(413,797)	(54,146)	54,146	427,812	14,015						
L.D.E.A. Preschool	84.173A	H173A150114	7/1/15 - 6/30/16	25,940		11,513	(11,513)	4,562	4,851	6,662	(6,662)	(26,229)	25,940		(289)
L.D.E.A. Preschool	84.173A		7/1/14 - 6/30/15	25,343	(5,452)	(11,513)	11,513	5,452							
<b>Total Special Education Cluster IDEA</b>					(419,249)		791,097	580,601	6,662	(6,662)	(284,527)	75,774			(208,753)
<b>Total Special Revenue Fund</b>					(464,290)		994,934	813,661	6,662	(6,662)	(395,856)	112,839			(283,017)
<b>Total Federal Awards</b>					\$ (476,402)	\$ -	\$ 1,171,420	\$ 1,004,871	\$ 6,662	\$ (6,662)	\$ (424,138)	\$ 114,285	\$ -	\$ (311,299)	

The Notes to the Schedules of Federal Awards and State Financial Assistance are an integral part of this schedule.

Note: FAIN numbers are only applicable to current year grant awards.

NEW MILFORD BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2015					Repayment of Prior Years' Balances	June 30, 2016			MEMO		
				Unearned Revenue/ (Accts Rec.)	Due to Grantor	Cash Received	Budgetary Expenditures	Adjustment		(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
<b>State Department of Education</b>															
Equalization Aid	16-495-034-5120-078	7/1/15 - 6/30/16	\$ 323,334	\$ -		\$ 298,428	\$ 323,334		\$ (24,906)					\$	323,334
Equalization Aid	15-495-034-5120-078	7/1/14 - 6/30/15	323,334	(24,212)		24,212			-						-
Special Education Aid	16-495-034-5120-089	7/1/15 - 6/30/16	1,292,035			1,192,511	1,292,035		(99,524)						1,292,035
Special Education Aid	15-495-034-5120-089	7/1/14 - 6/30/15	1,292,035	(96,748)		96,748			-						-
Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	41,569			38,367	41,569		(3,202)						41,569
Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	41,569	(3,113)		3,113			-						-
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	20,170			18,616	20,170		(1,554)						20,170
PARCC Readiness Aid	15-495-034-5120-098	7/1/14 - 6/30/15	20,170	(1,510)		1,510			-						-
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15 - 6/30/16	20,170			18,616	20,170		(1,554)						20,170
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14 - 6/30/15	20,170	(1,510)		1,510			-						-
Subtotal State Aid Public Cluster				(127,093)		1,693,631	1,697,278		(130,740)						1,697,278
Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	71,767			66,240	71,767		(5,527)						71,767
Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	71,767	(5,374)		5,374			-						-
Non-Public Transportation	16-495-034-5120-014	7/1/15 - 6/30/16	41,774				41,774		(41,774)					\$	41,774
Non-Public Transportation	15-495-034-5120-014	7/1/14 - 6/30/15	40,210	(40,210)		40,210			-						-
Subtotal Transportation Cluster				(45,584)		111,824	113,541		(47,301)						113,541
Extraordinary Aid	16-100-034-5120-473	7/1/15 - 6/30/16	456,152			-	456,152		(456,152)						456,152
Extraordinary Aid	15-100-034-5120-473	7/1/14 - 6/30/15	479,128	(479,128)		479,128			-						-
On-Behalf TPAF Social Security Contribution	16-495-034-5094-003	7/1/15 - 6/30/16	964,566			964,566	964,566		-						964,566
On-Behalf TPAF Social Security Contribution	15-495-034-5094-003	7/1/14 - 6/30/15	948,182	(48,104)		48,104			-						-
On-Behalf TPAF Pension Contribution	16-495-034-5094-006	7/1/15 - 6/30/16	1,007,809			1,007,809	1,007,809		-						1,007,809
On-Behalf TPAF Pension - NCGI Premium	16-495-034-5094-007	7/1/15 - 6/30/16	50,203			50,203	50,203		-						50,203
Oh-Behalf TPAF Post Retirement															-
Medical Contribution	16-495-034-5094-001	7/1/15 - 6/30/16	1,259,799			1,259,799	1,259,799		-						1,259,799
Total General Fund				(699,909)		5,615,064	5,549,348		(634,193)						5,549,348
<b>New Jersey Nonpublic Aid:</b>															
Nursing Services	16-100-034-5120-070	7/1/15 - 6/30/16	\$ 60,750			60,750	60,750							\$	60,750
Textbook Aid	16-100-034-5120-064	7/1/15 - 6/30/16	36,316			36,316	35,435					\$ 881			35,435
Textbook Aid	15-100-034-5120-064	7/1/14 - 6/30/15	38,310		\$ 993										-
Technology	16-100-034-5120-373	7/1/15 - 6/30/16	16,537			16,537	16,315								16,315
Technology	15-100-034-5120-373	7/1/14 - 6/30/15	20,576		620				620						-
Security Aid	16-100-034-5120-509	7/1/15 - 6/30/16	16,875			16,875	16,872								16,872
Auxiliary Services (Chapter 192):															
Compensatory Education	16-100-034-5120-067	7/1/15 - 6/30/16	124,366			124,366	108,080								108,080
Compensatory Education	15-100-034-5120-067	7/1/14 - 6/30/15	126,308		21,499				21,499						-
English as a Second Language	16-100-034-5120-067	7/1/15 - 6/30/16	37,961			37,961	23,067								23,067
English as a Second Language	15-100-034-5120-067	7/1/14 - 6/30/15	31,973		13,808				13,808						-
Transportation	16-100-034-5120-068	7/1/15 - 6/30/16	39,525			39,525	39,525								39,525
Home Instruction	16-100-034-5120-067	7/1/15 - 6/30/16	415			415			(415)					(415)	415
Home Instruction	15-100-034-5120-067	7/1/14 - 6/30/15	4,078	(4,078)		4,078			-						-
Total Auxiliary Services (Chapter 192 Cluster)					36,920	332,330	300,459		36,920	(415)			32,286	(415)	300,459
Handicapped Services (Chapter 193):															
Examination and Classification	16-100-034-5120-066	7/1/15 - 6/30/16	20,476			20,476	7,437								7,437
Examination and Classification	15-100-034-5120-066	7/1/14 - 6/30/15	55,478		51,950				51,950						-
Corrective Speech	16-100-034-5120-066	7/1/15 - 6/30/16	44,312			44,312	32,832								32,832
Corrective Speech	15-100-034-5120-066	7/1/14 - 6/30/15	51,420		4,860				4,860						-
Supplementary Instruction	16-100-034-5120-066	7/1/15 - 6/30/16	40,099			40,099	31,286								31,286
Supplementary Instruction	15-100-034-5120-066	7/1/14 - 6/30/15	42,374		5,336				5,336						-
Total Handicapped Services (Chapter 193 Cluster)					56,810	104,887	71,555		56,810				33,332		71,555
Total Special Revenue Fund					95,343	437,217	372,014		95,343	(415)			65,618	(415)	372,014
Total State Department of Education				(699,909)	95,343	6,052,281	5,921,362		95,343	(634,608)			65,618	(42,189)	5,921,362

NEW MILFORD BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2015			Budgetary Expenditures	Adjustments	(1)	Repayment of Prior Years' Balances	June 30, 2016			MEMO	
				Unearned Revenue/ (Accts Rec.)	Due to Grantor	Cash Received					(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Combined Total Expenditures
<b>Department of Agriculture</b>															
National School Lunch Program (State Share)	16-100-010-3350-023	7/1/15 - 6/30/16	\$ 5,721			\$ 4,640	\$ 5,721				\$ (1,081)			\$ (1,081)	\$ 5,721
National School Lunch Program (State Share)	15-100-010-3350-023	7/1/14 - 6/30/15	5,744	(481)	-	658	177	-	-	-	-	-	-	-	177
<b>Total Department of Agriculture (Food Service Fund)</b>				<b>(481)</b>	<b>-</b>	<b>5,298</b>	<b>5,898</b>	<b>-</b>	<b>-</b>	<b>(1,081)</b>	<b>-</b>	<b>-</b>	<b>(1,081)</b>	<b>5,898</b>	
<b>Schools Development Authority</b>															
<b>Schools Facilities Grants</b>															
DEO Middle School Roof Replacement Project	3550-085-14-1002	N/A	718,750	(550,784)		550,784									
Berkley Elementary Boiler Replacement Project	3550-060-14-1001	N/A	447,484	(305,537)	-	258,084	-	(47,453)	-	-	-	-	-	-	-
<b>Total Schools Development Authority</b>				<b>(856,321)</b>	<b>-</b>	<b>808,868</b>	<b>-</b>	<b>(47,453)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total State Financial Assistance Subject to Single Audit Determination</b>				<b>(1,556,711)</b>	<b>\$ 95,343</b>	<b>\$ 6,866,447</b>	<b>\$ 5,927,260</b>	<b>\$ (47,453)</b>	<b>\$ 95,343</b>	<b>(635,689)</b>	<b>-</b>	<b>\$ 65,618</b>	<b>(43,270)</b>	<b>5,927,260</b>	
<b>State Financial Assistance</b>															
<b>Not Subject to Major Program Determination</b>															
<b>General Fund</b>															
On-Behalf TPAF Pension Benefit Contributions	16-495-034-5095-006	7/1/15 - 6/30/16	1,007,809			(1,007,809)	(1,007,809)								(1,007,809)
On-Behalf TPAF Pension -NCGI Premium	16-495-034-5095-007	7/1/15 - 6/30/16	50,203			(50,203)	(50,203)								(50,203)
On-Behalf TPAF Post-Retirement Medical	16-495-034-5095-001	7/1/15 - 6/30/16	1,259,799			(1,259,799)	(1,259,799)								(1,259,799)
<b>Total State Financial Assistance Subject to Major Program Determination</b>				<b>\$ (1,556,711)</b>	<b>\$ 95,343</b>	<b>\$ 4,548,636</b>	<b>\$ 3,609,449</b>	<b>\$ (47,453)</b>	<b>\$ 95,343</b>	<b>(635,689)</b>	<b>\$ -</b>	<b>\$ 65,618</b>	<b>(43,270)</b>	<b>\$ 3,609,449</b>	

N/A - Not Applicable

The Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

(1) - Receivable balance cancelled.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

The financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$19,176 for the general fund and a decrease of \$20,362 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 2,355	\$ 5,568,524	\$ 5,570,879
Special Revenue Fund	803,850	361,463	1,165,313
Food Service Fund	<u>188,855</u>	<u>5,898</u>	<u>194,753</u>
 Total Financial Assistance	 <u>\$ 995,060</u>	 <u>\$ 5,935,885</u>	 <u>\$ 6,930,945</u>

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE SCHEDULES OF EXPENDITURES OF  
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 District's fiscal year and grant program years.

**NOTE 5 OTHER INFORMATION**

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$964,566 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2016. The amount reported as TPAF Pension System Contributions in the amount of \$1,058,012 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,259,799 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2016.

**NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT**

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

**NOTE 7 DE MINIMIS INDIRECT COST RATE**

The District has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NEW MILFORD BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Part I – Summary of Auditor’s Results*

**Financial Statement Section**

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

- 1) Were material weakness(es) identified?      yes   X   no
- 2) Were significant deficiencies identified that are not considered to be material weakness(es)?      yes   X   none reported

Noncompliance material to the basic financial statements noted?      yes   X   no

**Federal Awards Section**

Internal Control over major programs:

- (1) Material weakness(es) identified?      yes   X   no
- 2) Were significant deficiencies identified that are not considered to be material weakness(es)?      yes   X   none reported

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

Any audit findings disclosed that are required to be reported in accordance with U.S. Uniform Guidance?      yes   X   no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027 A</u>	<u>H027A150100</u>	<u>IDEA Basic</u>
<u>83.173 A</u>	<u>H173A150114</u>	<u>IDEA Preschool</u>
<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?      yes   X   no





**NEW MILFORD BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There are none.

**NEW MILFORD BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Part 3 – Schedule of Federal and State Award Findings and Questioned Costs*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

**CURRENT YEAR FEDERAL AWARDS**

There are none.

**NEW MILFORD BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Part 3 – Schedule of Federal and State Award Findings and Questioned Costs*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

**CURRENT YEAR STATE AWARDS**

**Finding 2016-001:**

Our audit revealed that payments to a certain vendor for the installation of audio equipment exceeded the quote threshold. However, there was no documentation to support competitive quotations were solicited by the District in accordance with N.J.S.A. 18A:18A 37(a).

**State program information:**

Equalization Aid	495-034-5120-078
Special Education Aid	495-034-5120-089
Security Aid	495-034-5120-084
PARCC Readiness Aid	495-034-5120-098
Per Pupil Growth Aid	495-034-5120-097

**Criteria or specific requirement:**

State Grant Compliance Supplement – State Aid Public – Special Tests and Provisions  
NJSA 18A:18A – Public School Contracts Law

**Condition:**

Purchase of installation of audio equipment services which were not made in accordance with the procedures specified in the Public School Contracts Law.

**Questioned Costs:**

Unknown.

**Context:**

Purchases for installation of audio equipment services totaling \$21,105 from a certain vendor were made in excess of the quote threshold for which documents were unavailable to determine if quotations were solicited in accordance with the Public School Contracts Law.

**Effect:**

Noncompliance with requirements of the Public School Contracts Law.

**Cause:**

Unknown.

**NEW MILFORD BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*Part 3 – Schedule of Federal and State Award Findings and Questioned Costs*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

**CURRENT YEAR STATE AWARDS (Continued)**

**Finding 2016-001: (Continued)**

**Recommendation:**

Purchasing procedures be enhanced to ensure competitive quotations are solicited and attached to purchase orders for all contract awards that exceed the quote threshold in accordance with N.J.S.A. 18A:18A-37(a).

**Views of Responsible Officials and Planned Corrective Action Plan:**

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**NEW MILFORD BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. OMB Circular A-133 (Section .315(a)(b)) and New Jersey OMB's Circular 15-08.

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2015-001**

The District transferred budget appropriations to the capital outlay- facilities acquisition and construction line item. The transfers noted were not submitted to nor approved by the Executive County Superintendent.

**Current Status**

Corrective action has been taken.