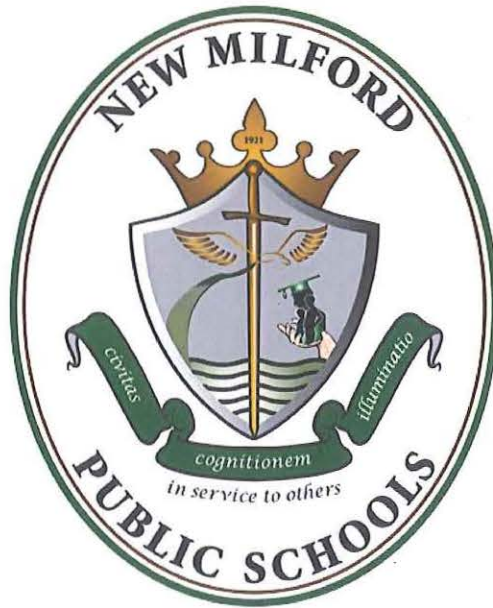


**SCHOOL DISTRICT
OF
NEW MILFORD**



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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

New Milford Board of Education

New Milford, New Jersey

For The Fiscal Year Ended June 30, 2017

Prepared by

Business Office

**NEW MILFORD BOARD OF EDUCATION
TABLE OF CONTENTS**

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	i-iii
Organizational Chart	iv
Roster of Officials	v
Consultants and Advisors	vi

FINANCIAL SECTION

Independent Auditor's Report	1-3
------------------------------	-----

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Management's Discussion and Analysis	4-18
--------------------------------------	------

Basic Financial Statements

A. District-Wide Financial Statements

A-1 Statement of Net Position	19-20
A-2 Statement of Activities	21-22

B. Fund Financial Statements

Governmental Funds

B-1 Balance Sheet	23-24
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	25
B-3 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances with the District-Wide Statements	26

Proprietary Funds

B-4 Statement of Net Position	27
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	28
B-6 Statement of Cash Flows	29

Fiduciary Funds

B-7 Statement of Fiduciary Net Position	30
B-8 Statement of Changes in Fiduciary Net Position	31

Notes to the Financial Statements	32-67
--	-------

REQUIRED SUPPLEMENTARY INFORMATION – PART II

C. Budgetary Comparison Schedules

C-1 Budgetary Comparison Schedule – General Fund	68-75
C-2 Budgetary Comparison Schedule – Special Revenue Fund	76

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART II

C-3 Budgetary Comparison Schedule – Notes to the Required Supplementary Information	77
---	----

**NEW MILFORD BOARD OF EDUCATION
TABLE OF CONTENTS**

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION - PART III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employees Retirement System	78
L-2 Required Supplementary Information – Schedule of District Contributions – Public Employees Retirement System	79
L-3 Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Teachers Pension and Annuity Fund	80
L-4 Notes to Required Supplementary Information	81
 OTHER SUPPLEMENTARY INFORMATION	
D. School Level Schedules – Not Applicable	
E. Special Revenue Fund	
E-1 Combining Schedule of Program Revenues and Expenditures - Special Revenue Fund – Budgetary Basis	82-83
E-2 Preschool Education Aid – Budgetary Basis – Not Applicable	84
F. Capital Projects Fund	
F-1 Summary Schedule of Project Expenditures	85
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance	86
F-2a Schedule of Project Revenues, Expenditures, Project Balance and Project Status- Boiler Replacement at Berkley Street Elementary School	87
F-2b Schedule of Project Revenues, Expenditures, Project Balance and Project Status- Roof Replacement at David E. Owens Middle School	88
G. Proprietary Funds	
<i>Enterprise Fund</i>	
G-1 Statement of Net Position	89
G-2 Statement of Revenues, Expenses and Changes in Net Position	90
G-3 Statement of Cash Flows	91
H. Fiduciary Funds	
H-1 Combining Statement of Agency Assets and Liabilities	92
H-2 Combining Statement of Changes in Fiduciary Net Position – Not Applicable	93
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	94
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	95

**NEW MILFORD BOARD OF EDUCATION
TABLE OF CONTENTS**

		<u>Page</u>
I.	Long-Term Debt	
I-1	Schedule of Bonds Payable	96
I-2	Schedule of Obligations under Capital Leases and Lease Purchase Agreements	97
I-3	Debt Service Fund Budgetary Comparison Schedule	98
J.	STATISTICAL SECTION (Unaudited)	
J-1	Net Position by Component	99
J-2	Changes in Net Position	100-101
J-3	Fund Balances – Governmental Funds	102
J-4	Changes in Fund Balances - Governmental Funds	103
J-5	General Fund Other Local Revenue by Source	104
J-6	Assessed Value and Actual Value of Taxable Property	105
J-7	Direct and Overlapping Property Tax Rates	106
J-8	Principal Property Taxpayers	107
J-9	Property Tax Levies and Collections	108
J-10	Ratios of Outstanding Debt by Type	109
J-11	Ratios of Net General Bonded Debt Outstanding	110
J-12	Direct and Overlapping Governmental Activities Debt	111
J-13	Legal Debt Margin Information	112
J-14	Demographic and Economic Statistics	113
J-15	Principal Employers	114
J-16	Full-Time Equivalent District Employees by Function/Program	115
J-17	Operating Statistics	116
J-18	School Building Information	117
J-19	Schedule of Required Maintenance for School Facilities	118
J-20	Insurance Schedule	119
K.	SINGLE AUDIT SECTION	
K-1	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	120-121
K-2	Report on Compliance for each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards required by U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance as Required by New Jersey OMB Circular 15-08 Independent Auditor’s Report	122-124
K-3	Schedule of Expenditures of Federal Awards	125
K-4	Schedule of Expenditures of State Financial Assistance	126-17
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	128-129
K-6	Schedule of Findings and Questioned Costs – Part 1 – Summary of Auditor’s Results	130-131
K-7	Schedule of Findings and Questioned Costs – Part 2 – Schedule of Financial Statement Findings	132
K-7	Schedule of Findings and Questioned Costs – Part 3 – Schedule of Federal and State Award Findings and Questioned Costs	133-135
K-8	Summary Schedule of Prior Year Findings	136

Introductory Section

NEW MILFORD BOARD OF EDUCATION

**145 Madison Avenue
New Milford, NJ 07646**

November 30, 2017

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, 2017 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 basic 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 of 1984 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 2016-2017 fiscal year with an enrollment of 1956 students, which is 41 students below 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
2016-17	1956	-2.05%
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%

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** 93% of the graduates plan to receive some form of formal post-secondary education or training. 65% will be attending four year colleges in the Fall. 28% will be participating in two year community college or career training programs. 3% will enter the military. The remaining 4% 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 assignments/commitments of fund balance at June 30, 2017.

6) DEBT ADMINISTRATION: At June 30, 2017 the District's outstanding debt issue was \$1,725,000 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, LLP, 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, 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,



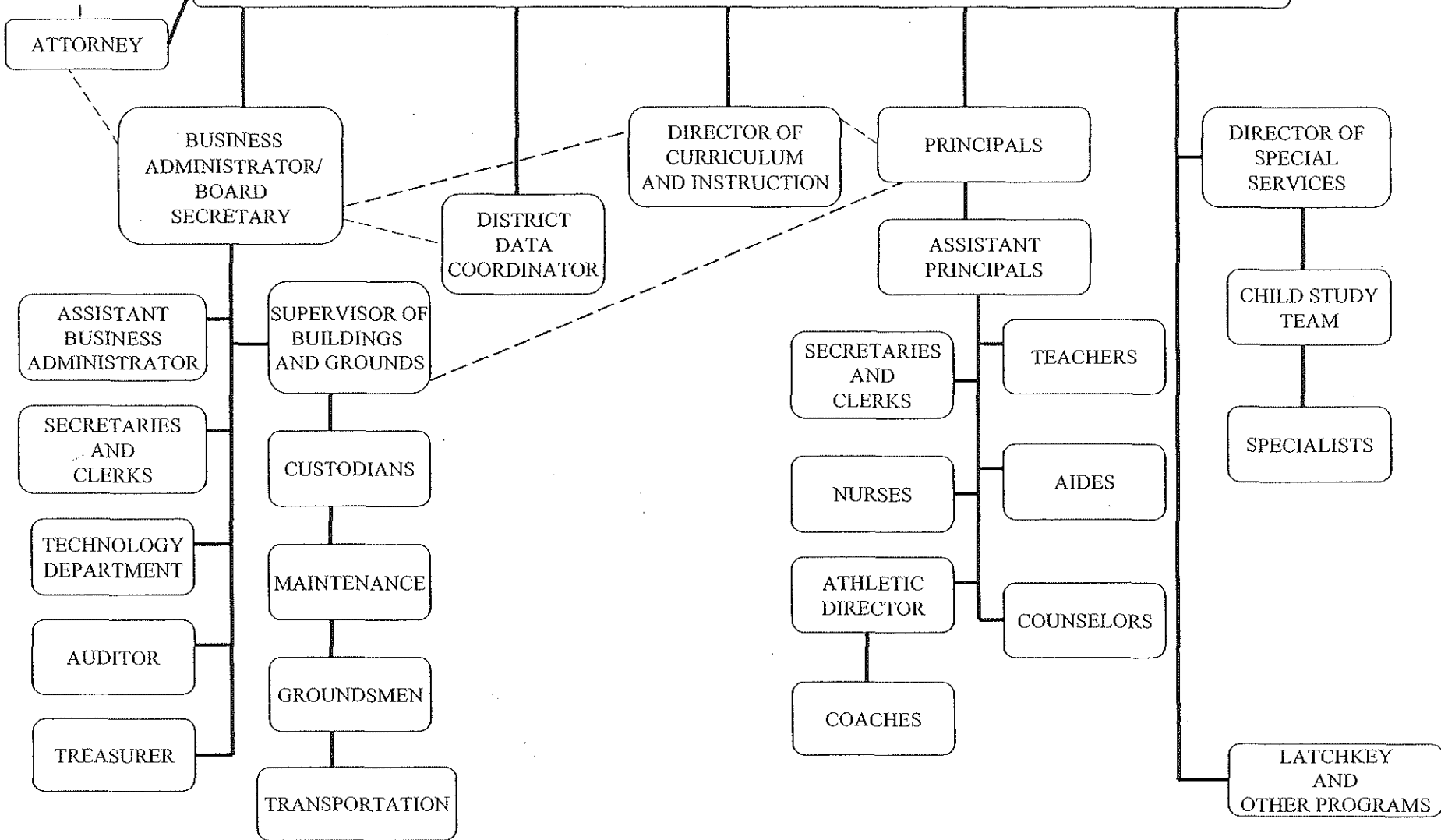
Michael Polizzi
Superintendent



Michael Sawicz
Business Administrator

NEW MILFORD BOARD OF EDUCATION

SUPERINTENDENT OF SCHOOLS



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

**ROSTER OF OFFICIALS
JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Paige Ryan, President	12/2017
Christine Giancola, Vice-President	12/2018
Tonia Andrews	12/2017
George Adlung	12/2017
John Heinemann	12/2017
Judith Rabinowitz-McSweeney	12/2019
Christopher Ryan	12/2019
Laura O'Grady	12/2018
Joseph Steele	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

Solutions Architecture
96 Pompton Avenue, Suite 200
Verona, NJ 07044

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, PSA

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, 2017 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 from 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, 2017, 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 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, 2017 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 the effectiveness of the New Milford Board of Education's 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
Certified Public Accountants
Public School Accountants



Donna L. Japhet
Public School Accountant
PSA Number CS002314

Fair Lawn, New Jersey
November 30, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

NEW MILFORD BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

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, 2017. 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 (2016-2017) and the prior year (2015-2016) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 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 \$11,639,473 (net position).
- Overall District revenues were \$47,322,062 which were \$1,070,924 less than overall District expenses of \$48,392,986. General revenues accounted for \$32,433,098 or 69% of all revenues. Program specific revenues in the form of charges for services, grants and contributions account for \$14,888,964 or 31% of total revenues.
- The School District had \$47,169,060 in expenses for governmental activities; only \$13,697,538 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) and transfer of \$32,431,548 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 \$2,721,090. Of that amount, \$145,093 (5%) is available for spending at the District's discretion (unassigned fund balance).
- The General Fund unassigned fund balance was \$145,093 at June 30, 2017, an increase of \$30,726 when compared with the beginning balance at July 1, 2016 of \$114,367.
- The General Fund unassigned budgetary basis fund balance at June 30, 2017 was \$1,123,918 which represents an increase of \$417,132 compared to the ending budgetary basis fund balance at June 30, 2016 of \$706,786.

NEW MILFORD BOARD OF EDUCATION

Management Discussion and Analysis

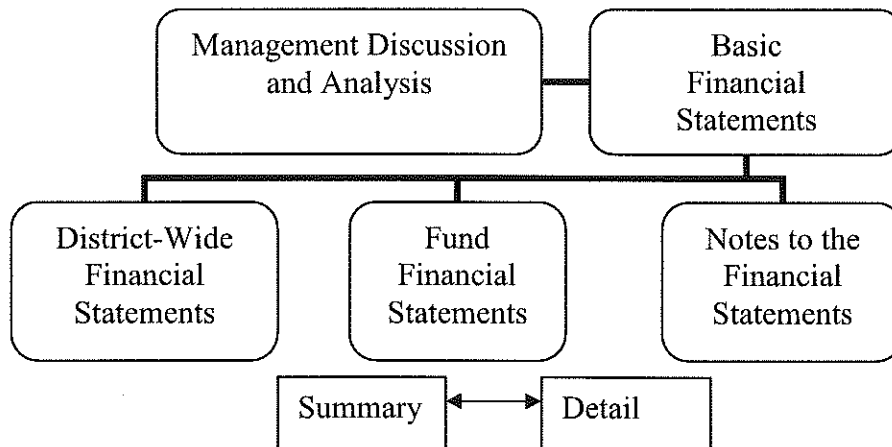
Fiscal Year Ended June 30, 2017

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, 2017

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
Scope	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, latch 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.
Required Financial Statements	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
Accounting Basis and Measurement Focus	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
Type of Asset/Deferred Outflows/Inflows of Resources/Liability Information	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 there after; 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
Type of Inflow/Outflow Information	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 dedications 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, 2017

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 District's *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 statements, 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, 2017

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, 2017

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 2017 and 2016.

Net Position. The District's *combined* net position were \$11,639,473 on June 30, 2017 and \$12,710,397 on June 30, 2016, respectively.

Statement of Net Position As of June 30, 2017 and 2016

	Governmental Activities		Business-Type Activities		Total	
	2017	2016 (Restated)	2017	2016	2017	2016 (Restated)
Current and Other Assets	\$ 3,599,235	\$ 4,445,537	\$ 510,204	\$ 617,389	\$ 4,109,439	\$ 5,062,926
Capital Assets	21,322,852	21,127,980	114,265	73,037	21,437,117	21,201,017
Total Assets	<u>24,922,087</u>	<u>25,573,517</u>	<u>624,469</u>	<u>690,426</u>	<u>25,546,556</u>	<u>26,263,943</u>
Deferred Amounts on Refunding of Debt	20,423	28,778	-	-	20,423	28,778
Deferred Amounts on Net Pension Liability	4,838,099	1,893,597	-	-	4,838,099	1,893,597
Total Deferred Outflows of Resources	<u>4,858,522</u>	<u>1,922,375</u>	<u>-</u>	<u>-</u>	<u>4,858,522</u>	<u>1,922,375</u>
Total Assets and Deferred Outflows of Resources	<u>29,780,609</u>	<u>27,495,892</u>	<u>624,469</u>	<u>690,426</u>	<u>30,405,078</u>	<u>28,186,318</u>
Long-Term Liabilities	17,809,311	13,933,511			17,809,311	13,933,511
Other Liabilities	910,366	1,284,840	45,928	79,489	1,061,235	1,364,329
Total Liabilities	<u>18,719,677</u>	<u>15,218,351</u>	<u>45,928</u>	<u>79,489</u>	<u>18,870,546</u>	<u>15,297,840</u>
Deferred Amounts on Net Pension Liability		176,635	-	-	-	176,635
Deferred Commodities Revenue	-	-	-	1,446	-	1,446
Total Deferred Inflows of Resources	<u>-</u>	<u>176,635</u>	<u>-</u>	<u>1,446</u>	<u>-</u>	<u>178,081</u>
Total Liabilities and Deferred Inflows of Resources	<u>18,719,677</u>	<u>15,394,986</u>	<u>45,928</u>	<u>80,935</u>	<u>18,870,546</u>	<u>15,475,921</u>
Net Investment in Capital Assets	19,259,075	18,664,347	114,265	73,037	19,373,340	18,737,384
Restricted	405,594	547,609			405,594	547,609
Unrestricted	(8,603,737)	(7,111,050)	464,276	536,454	(8,139,461)	(6,574,596)
Total Net Position	<u>\$ 11,060,932</u>	<u>\$ 12,100,906</u>	<u>\$ 578,541</u>	<u>\$ 609,491</u>	<u>\$ 11,639,473</u>	<u>\$ 12,710,397</u>

NEW MILFORD BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

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 2017 and 2016.

Change in Net Position For the Fiscal Years Ended June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues						
Charges for Services	\$ 510,419	\$ 410,227	\$ 987,193	\$ 1,009,547	\$ 1,497,612	\$ 1,419,774
Operating Grants and Contributions	13,123,587	10,267,657	204,233	194,753	13,327,820	10,462,410
Capital Grants and Contributions	63,532				63,532	-
General Revenues						
Property Taxes	31,955,572	31,087,736			31,955,572	31,087,736
State Aid - Unrestricted	370,650	365,248			370,650	365,248
Other	103,845	89,467	3,031	3,250	106,876	92,717
Total Revenues	46,127,605	42,220,335	1,194,457	1,207,550	47,322,062	43,427,885
Expenses						
Instruction						
Regular	17,780,774	16,374,576			17,780,774	16,374,576
Special Education	7,991,141	6,604,863			7,991,141	6,604,863
Other Instruction	703,985	580,206			703,985	580,206
School Sponsored Activities and Athletics	1,441,874	1,197,498			1,441,874	1,197,498
Support Services						
Student and Instruction Related Services	6,835,530	6,056,812			6,835,530	6,056,812
General Administrative Services	1,103,769	987,168			1,103,769	987,168
School Administrative Services	3,700,220	3,044,203			3,700,220	3,044,203
Central and Other Support Services	1,264,781	1,119,086			1,264,781	1,119,086
Plant Operation and Maintenance	5,055,523	4,842,898			5,055,523	4,842,898
Pupil Transportation	1,223,166	1,174,887			1,223,166	1,174,887
Interest on Debt	68,297	84,856			68,297	84,856
Food Service			753,051	758,581	753,051	758,581
Knight Care Latchkey Program			440,947	470,431	440,947	470,431
Broadway Kids Summer Program			19,181	17,080	19,181	17,080
After School Enrichment Program	-	-	10,747	6,181	10,747	6,181
Total Expenses	47,169,060	42,067,053	1,223,926	1,252,273	48,392,986	43,319,326
Increase (Decrease) in Net Position Before Transfers	(1,041,455)	153,282	(29,469)	(44,723)	(1,070,924)	108,559
Transfers	1,481	1,969	(1,481)	(1,969)	-	-
Change in Net Position	(1,039,974)	155,251	(30,950)	(46,692)	(1,070,924)	108,559
Beginning of Year, Net Position (restated)	12,100,906	13,748,303	609,491	656,183	12,710,397	14,404,486
Prior Period Adjustment - Capital Assets	-	(1,802,648)	-	-	-	(1,802,648)
End of Year, Net Position	\$ 11,060,932	\$ 12,100,906	\$ 578,541	\$ 609,491	\$ 11,639,473	\$ 12,710,397

NEW MILFORD BOARD OF EDUCATION

Management Discussion and Analysis

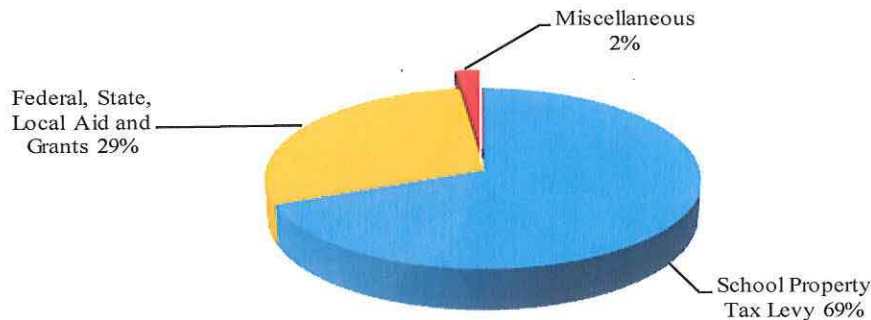
Fiscal Year Ended June 30, 2017

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$46,127,605 for the fiscal year ended June 30, 2017, property taxes of \$31,955,572 represented 69% of revenues. Another significant portion of revenues came from grants and contributions; total State, Federal and Local Aid and Grants were \$13,557,769 and represented 29% 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.

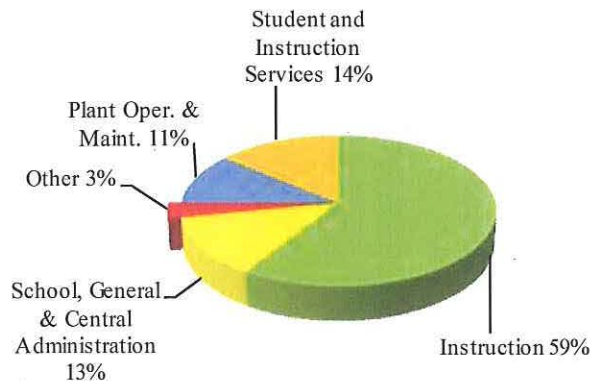
The total cost of all governmental activities programs and services was \$47,169,060. The district's expenses are predominantly related to educating and caring for students. Instruction totaled \$27,917,774 (59%) of total expenses. Support services, total \$19,182,989 (41%) of total expenses. Interest on debt totals \$68,297, less than 1% of total expenses.

Total governmental activities expenses exceeded revenues and transfers, decreasing net position by \$1,039,974 from the previous year.

Revenues by Type – Governmental Activities
For Fiscal Year 2017



Expenses by Type – Governmental Activities For Fiscal Year 2017



NEW MILFORD BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

Total and Net Cost of Governmental Activities. The District's total cost of services was \$47,169,060. After applying program revenues, derived from operating and capital grants and contributions of \$13,187,119, and charges for services of \$510,419, the net cost of services of the District is \$33,471,522.

Total and Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2017 and 2016

Governmental Activities	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Instruction				
Regular	\$ 17,780,774	\$ 16,374,576	\$ 11,884,879	\$ 11,664,666
Special Education	7,991,141	6,604,863	4,029,268	3,181,295
Other Instruction	703,985	580,206	440,326	460,997
School Sponsored Activities and Athletics	1,441,874	1,197,498	1,042,175	1,165,968
Support Services				
Student and Instruction Related Services	6,835,530	6,056,812	5,219,301	4,675,338
General Administration	1,103,769	987,168	983,742	909,247
School Administration Services	3,700,220	3,044,203	2,688,279	2,355,611
Central and Other Support Services	1,264,781	1,119,086	1,087,027	1,042,278
Plant Operation and Maintenance	5,055,523	4,842,898	4,980,292	4,801,418
Pupil Transportation	1,223,166	1,174,887	1,047,936	1,047,495
Interest on Debt	68,297	84,856	68,297	84,856
Total Governmental Activities	\$ 47,169,060	\$ 42,067,053	\$ 33,471,522	\$ 31,389,169

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2017 was \$1,223,926. These costs were funded by charges for services of \$987,193 (83%) and operating grants of \$204,233 (17%), as detailed in the change in net position schedule.

Total business-type activities expenses and transfer surpassed revenues, decreasing net position by \$30,950 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 \$2,721,090 at June 30, 2017 compared to a combined fund balance of \$3,197,240 at June 30, 2016.

NEW MILFORD BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

Revenues for the District's governmental funds were \$39,776,255, while total expenditures were \$40,529,042.

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>	Amount of Increase (Decrease)	Percent Change
Revenues				
Local Sources:				
Property Tax Levy	\$ 31,437,772	\$ 30,557,436	\$ 880,336	3%
Tuition	460,111	396,222	63,889	16%
Transportation	50,308	14,005	36,303	259%
Interest	23,979	21,585	2,394	11%
Miscellaneous	79,866	67,882	11,984	18%
State Sources	5,981,680	5,568,524	413,156	7%
Federal Sources	<u>6,237</u>	<u>2,355</u>	<u>3,882</u>	165%
Total Revenues	<u>\$ 38,039,953</u>	<u>\$ 36,628,009</u>	<u>\$ 1,411,944</u>	4%

The majority of revenues come from property taxes which accounted for 83% of total revenue while state sources represented 16% of total revenue for the 2017 fiscal year.

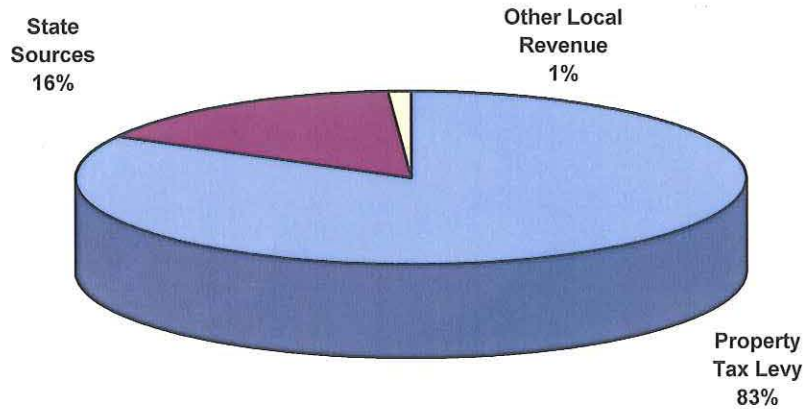
Total General Fund revenues increased by \$1,411,944 or 4% compared with the previous year. The increase in property tax revenues and on-behalf state revenues were largely attributable for the increase. Local property taxes increased 3% from the previous year. State aid revenues increased \$413,156 or 7% 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. Transportation fees increased due to a significant increase in busing services provided for students received outside the district.

NEW MILFORD BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

General Fund Revenues by Source For the Fiscal Year Ended June 30, 2017



The following schedule presents a summary of General Fund expenditures.

Summary of General Fund Expenditures (GAAP Basis) For the Fiscal Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>	Amount of Increase (Decrease)	Percent Change
Expenditures				
Instruction	\$ 21,992,849	\$ 20,842,469	\$ 1,150,380	6%
Support Services	15,626,488	14,936,247	690,241	5%
Debt Service	282,694	236,835	45,859	19%
Capital Outlay	<u>890,709</u>	<u>517,441</u>	<u>373,268</u>	72%
Total Expenditures	<u>\$ 38,792,740</u>	<u>\$ 36,532,992</u>	<u>\$ 2,259,748</u>	6%

Total General Fund expenditures increased \$2,259,748 or 6% from the previous year. Instruction represented 57% of total expenditures while support services accounted for 40% of total expenditures for the 2017 fiscal year. The areas of regular instruction and the functions included in student and instruction related support services also experienced significant increases over the prior year. Capital outlay increased due to expenditures incurred in connection with the High School plaza, High School elevator and Middle School home economic classroom conversion.

NEW MILFORD BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

For the 2016-2017 school year general fund expenditures and other financing uses exceeded revenues and other financing sources by \$58,734. After adjusting for restricted and assigned fund balances, the unassigned fund balance increased from \$114,367 at June 30, 2016 to \$145,093 at June 30, 2017. Consequently, the district has \$870,610 of restricted excess surplus from the current year operations compared to \$863,035 excess surplus at June 30, 2016 from prior year (2015/2016) operations.

CAPITAL PROJECTS AND DEBT ADMINISTRATION

Capital Assets. At the end of fiscal years 2017 and 2016, 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, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u> <u>(Restated)</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u> <u>(Restated)</u>
Land	\$ 3,255,000	\$ 3,255,000			\$ 3,255,000	\$ 3,255,000
Land Improvements	1,611,710	1,522,614			1,611,710	1,522,614
Buildings and Building Improvements	28,937,684	27,579,205			28,937,684	27,579,205
Machinery and Equipment	3,899,353	3,357,347	\$ 286,509	\$ 227,686	4,185,862	3,585,033
Construction in Progress	-	1,035,340	-	-	-	1,035,340
Total	37,703,747	36,749,506	286,509	227,686	37,990,256	36,977,192
Less: Accumulated Depreciation	<u>(16,380,895)</u>	<u>(15,621,526)</u>	<u>(172,244)</u>	<u>(154,649)</u>	<u>(16,553,139)</u>	<u>(15,776,175)</u>
Total Capital Assets, Net	<u>\$ 21,322,852</u>	<u>\$ 21,127,980</u>	<u>\$ 114,265</u>	<u>\$ 73,037</u>	<u>\$ 21,437,117</u>	<u>\$ 21,201,017</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, 2017

Debt Administration. As of June 30, 2017 and 2016 the school district had long-term debt and outstanding long-term liabilities in the amount of \$17,809,311 and \$13,933,511, respectively, as follows:

Outstanding Long-Term Liabilities

As of June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Serial Bonds Payable (Including Unamortized Premium)	\$ 1,778,207	\$ 2,239,973
Capital Leases Payable	305,993	252,438
Lease Purchase Agreements Payable	-	52,863
Compensated Absences Payable	416,735	402,181
Net Pension Liability	<u>15,308,376</u>	<u>10,986,056</u>
Total	<u>\$ 17,809,311</u>	<u>\$ 13,933,511</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 to prevent over expenditures in specific line item accounts.

NEW MILFORD BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

General Fund budgetary basis revenues and other financing sources exceeded budgetary basis expenditures, increasing budgetary basis fund balance by \$327,672 from the previous year. After deducting restricted and assigned fund balances, the unassigned budgetary fund balance increased \$417,132 from \$706,786 at June 30, 2016 to \$1,123,918 at June 30, 2017. In addition, the District restricted fund balance for excess surplus increased to \$870,610 at June 30, 2017 compared to \$863,035 excess surplus at June 30, 2016.

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 2017-2018. Budgeted expenditures in the General Fund increased approximately three percent (3%) to \$36,225,435 in fiscal year 2017-2018.

NEW MILFORD BOARD OF EDUCATION

Management Discussion and Analysis

Fiscal Year Ended June 30, 2017

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, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,339,257	\$ 470,070	\$ 3,809,327
Receivables, Net:			
Receivables from Other Governments	225,909	11,075	236,984
Other	53,756	3,374	57,130
Internal Balances	(19,687)	19,687	
Inventories		5,998	5,998
Capital Assets Not Being Depreciated	3,255,000		3,255,000
Capital Assets, Being Depreciation	<u>18,067,852</u>	<u>114,265</u>	<u>18,182,117</u>
 Total Assets	 <u>24,922,087</u>	 <u>624,469</u>	 <u>25,546,556</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding of Debt	20,423		20,423
Deferred Amounts on Net Pension Liability	<u>4,838,099</u>	-	<u>4,838,099</u>
 Total Deferred Outflows of Resources	 <u>4,858,522</u>	 -	 <u>4,858,522</u>
 Total Assets and Deferred Outflows of Resources	 <u>29,780,609</u>	 <u>624,469</u>	 <u>30,405,078</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	723,809	14,973	738,782
Payable to Other Governments	134,967		134,967
Accrued Interest Payable	32,221		32,221
Unearned Revenue	19,369	30,955	50,324
Noncurrent Liabilities :			
Due Within One Year	598,329		598,329
Due Beyond One Year	<u>17,210,982</u>	-	<u>17,210,982</u>
 Total Liabilities	 <u>18,719,677</u>	 <u>45,928</u>	 <u>18,765,605</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, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	19,259,075	114,265	19,373,340
Restricted for:			
Capital Projects	286,658		286,658
Plant Maintenance	118,936		118,936
Unrestricted	<u>(8,603,737)</u>	<u>464,276</u>	<u>(8,139,461)</u>
Total Net Position	<u>\$ 11,060,932</u>	<u>\$ 578,541</u>	<u>\$ 11,639,473</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, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		<u>Total</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>	
Governmental Activities							
Instruction:							
Regular	\$ 17,780,774		\$ 5,895,895		\$ (11,884,879)		\$ (11,884,879)
Special Education	7,991,141	\$ 460,111	3,485,214	\$ 16,548	(4,029,268)		(4,029,268)
Other Instruction	703,985		263,659		(440,326)		(440,326)
School Sponsored Activities and Athletics	1,441,874		399,699		(1,042,175)		(1,042,175)
Support Services							
Student and Instruction Related Services	6,835,530		1,600,229	16,000	(5,219,301)		(5,219,301)
General Administrative Services	1,103,769		120,027		(983,742)		(983,742)
School Administrative Services	3,700,220		1,011,941		(2,688,279)		(2,688,279)
Central and Other Support Services	1,264,781		177,754		(1,087,027)		(1,087,027)
Plant Operations and Maintenance	5,055,523		44,247	30,984	(4,980,292)		(4,980,292)
Pupil Transportation	1,223,166	50,308	124,922		(1,047,936)		(1,047,936)
Interest on Debt	68,297	-	-	-	(68,297)	-	(68,297)
Total Governmental Activities	<u>47,169,060</u>	<u>510,419</u>	<u>13,123,587</u>	<u>63,532</u>	<u>(33,471,522)</u>	<u>-</u>	<u>(33,471,522)</u>
Business-Type Activities							
Food Service	753,051	605,142	204,233			\$ 56,324	56,324
Knight Care Latch Key Program	440,947	348,163				(92,784)	(92,784)
Broadway Kids Summer Program	19,181	20,343				1,162	1,162
After School Enrichment Program	10,747	13,545				2,798	2,798
Total Business-Type Activities	<u>1,223,926</u>	<u>987,193</u>	<u>204,233</u>	<u>-</u>	<u>-</u>	<u>(32,500)</u>	<u>(32,500)</u>
Total Primary Government	<u>\$ 48,392,986</u>	<u>\$ 1,497,612</u>	<u>\$ 13,327,820</u>	<u>\$ 63,532</u>	<u>(33,471,522)</u>	<u>(32,500)</u>	<u>(33,504,022)</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, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Property Taxes:			
Levied for General Purposes	\$ 31,437,772		\$ 31,437,772
Levied for Debt Service	517,800		517,800
State Aid, Unrestricted	370,650		370,650
Interest Income	23,979	\$ 3,031	27,010
Miscellaneous Income	79,866	-	79,866
Transfers	1,481	(1,481)	-
Total General Revenues and Transfers	32,431,548	1,550	32,433,098
Change in Net Position	(1,039,974)	(30,950)	(1,070,924)
Net Position, Beginning of Year (Restated)	12,100,906	609,491	12,710,397
Net Position, End of Year	\$ 11,060,932	\$ 578,541	\$ 11,639,473

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, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 3,199,216	\$ 140,041			\$ 3,339,257
Receivables, Net					
Receivables from Other Governments	91,995	133,914			225,909
Accounts	37,269	16,426			53,695
Due from Other Funds	61	-	-	-	61
	<u>3,328,541</u>	<u>290,381</u>	<u>-</u>	<u>-</u>	<u>3,618,922</u>
Total Assets	<u>\$ 3,328,541</u>	<u>\$ 290,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,618,922</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 343,637	\$ 136,045			\$ 479,682
Accrued Salaries and Wages	140,528				140,528
Compensated Absences Payable	103,599				103,599
Payable to State Government		134,967			134,967
Due to Other Funds	19,687				19,687
Unearned Revenue	-	19,369	-	-	19,369
	<u>607,451</u>	<u>290,381</u>	<u>-</u>	<u>-</u>	<u>897,832</u>
Fund Balances					
Restricted Fund Balance					
Capital Reserve	286,658				286,658
Maintenance Reserve	118,936				118,936
Emergency Reserve	285,199				285,199
Excess Surplus (2018/19 Budget)	870,610				870,610
Excess Surplus - Designated for Subsequent Year's Budget (2017/18 Budget)	863,035				863,035
Committed Fund Balance					
Year End Encumbrances	29,350				29,350
Assigned Fund Balance					
Designated for Subsequent Year's Budget (2017/2018)	50,000				50,000
Year End Encumbrances	72,209				72,209
Unassigned Fund Balance					
General Fund	145,093	-	-	-	145,093
	<u>2,721,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,721,090</u>
Total Fund Balances	<u>2,721,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,721,090</u>
Total Liabilities and Fund Balances	<u>\$ 3,328,541</u>	<u>\$ 290,381</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,618,922</u>

**NEW MILFORD BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2017**

Total Fund Balances (Exhibit B-1)		\$ 2,721,090
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position (A-1) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$37,703,747 and the accumulated depreciation is \$16,380,895.</p>		21,322,852
<p>The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is:</p>		(32,221)
<p>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.</p>		
Deferred Outflows of Resources		4,838,099
<p>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.</p>		20,423
<p>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</p>		
General Obligation Bonds Payable	\$ (1,725,000)	
Add: Premium on Issuance	(53,207)	
Capital Leases Payable	(305,993)	
Compensated Absences Payable	(416,735)	
Net Pension Liability	<u>(15,308,376)</u>	
		<u>(17,809,311)</u>
Net Position of Governmental Activities (Exhibit A-1)		\$ <u>11,060,932</u>

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

NEW MILFORD BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 31,437,772			\$ 517,800	\$ 31,955,572
Tuition	460,111				460,111
Transportation Fees	50,308				50,308
Interest	23,979				23,979
Miscellaneous	79,866	\$ 27,902	-	-	107,768
Total - Local Sources	32,052,036	27,902	-	517,800	32,597,738
State Sources	5,981,680	337,316			6,318,996
Federal Sources	6,237	853,284	-	-	859,521
Total Revenues	38,039,953	1,218,502	-	517,800	39,776,255
EXPENDITURES					
Instruction					
Regular	13,817,363	454,559			14,271,922
Special Education	6,467,076	434,380			6,901,456
Other Instruction	523,275	37,435			560,710
School-Sponsored Activities and Athletics	1,185,135				1,185,135
Support Services					
Student and Instruction Related Services	5,499,543	228,596			5,728,139
General Administrative Services	972,996				972,996
School Administrative Services	2,951,974				2,951,974
Central and Other Support Services	1,023,690				1,023,690
Plant Operations and Maintenance	4,064,948				4,064,948
Pupil Transportation	1,113,337				1,113,337
Debt Service					
Principal	274,464			440,000	714,464
Interest and Other Charges	8,230			77,800	86,030
Capital Outlay	890,709	63,532	-	-	954,241
Total Expenditures	38,792,740	1,218,502	-	517,800	40,529,042
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(752,787)	-	-	-	(752,787)
OTHER FINANCING SOURCES (USES)					
Capital Lease Proceeds	275,156				275,156
Transfers In	418,897	-	-	-	418,897
Transfers Out	-	-	(417,416)	-	(417,416)
Total Other Financing Sources and Uses	694,053	-	(417,416)	-	276,637
Net Change in Fund Balances	(58,734)	-	(417,416)	-	(476,150)
Fund Balance, Beginning of Year	2,779,824	-	417,416	-	3,197,240
Fund Balance, End of Year	\$ 2,721,090	\$ -	\$ -	\$ -	\$ 2,721,090

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

**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, 2017**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ (476,150)

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	\$ 954,241	
Depreciation Expense	<u>(759,369)</u>	
		194,872

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	(14,554)	
Increase in Pension Expense	<u>(1,201,183)</u>	

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	221,601	
Lease Purchase Agreements	52,863	
Serial Bonds	<u>440,000</u>	
		714,464

The issuance of long-term debt provides current financial resources to governmental funds, however these transactions have no effect in the Statement of Net Position.

Capital Lease Proceeds		(275,156)
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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	(8,355)	
Original Issue Premium	<u>21,766</u>	
		13,411

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>4,322</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) \$ (1,039,974)

**NEW MILFORD BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	<u>Business-Type Activities - Enterprise Fund</u>			<u>Totals</u>
	<u>Food Service</u>	<u>Knight Care Latchkey Program</u>	<u>Non-Major Enterprise Funds</u>	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 240,918	\$ 181,891	\$ 47,261	\$ 470,070
Intergovernmental Receivable, Net				
Federal	10,677			10,677
State	398			398
Accounts Receivable- Other	2,616	758		3,374
Due from Other Funds	23,137			23,137
Inventories	5,998	-	-	5,998
Total Current Assets	<u>283,744</u>	<u>182,649</u>	<u>47,261</u>	<u>513,654</u>
Capital Assets				
Equipment	146,164	140,345		286,509
Less: Accumulated Depreciation	<u>(77,444)</u>	<u>(94,800)</u>	-	<u>(172,244)</u>
Total Capital Assets, Net	<u>68,720</u>	<u>45,545</u>	-	<u>114,265</u>
Total Assets	<u>352,464</u>	<u>228,194</u>	<u>47,261</u>	<u>627,919</u>
LIABILITIES				
Current Liabilities				
Due to Other Funds		3,450		3,450
Accounts Payable	8,046	256	562	8,864
Accrued Salaries and Wages		6,109		6,109
Unearned Revenue	<u>14,627</u>	-	<u>16,328</u>	<u>30,955</u>
Total Current Liabilities	<u>22,673</u>	<u>9,815</u>	<u>16,890</u>	<u>49,378</u>
NET POSITION				
Investment in Capital Assets	68,720	45,545	-	114,265
Unrestricted	<u>261,071</u>	<u>172,834</u>	<u>30,371</u>	<u>464,276</u>
Total Net Position	<u>\$ 329,791</u>	<u>\$ 218,379</u>	<u>\$ 30,371</u>	<u>\$ 578,541</u>

**NEW MILFORD BOARD OF EDUCATION
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activities - Enterprise Fund</u>			
	<u>Food Service</u>	<u>Knight Care Latchkey Program</u>	<u>Non-Major Enterprise Fund</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for Services				
Daily Sales - Reimbursable Programs	\$ 248,304			\$ 248,304
Daily Sales - Non-Reimbursable Programs	356,838			356,838
Program Fees	-	\$ 348,163	\$ 33,888	382,051
Total Operating Revenues	<u>605,142</u>	<u>348,163</u>	<u>33,888</u>	<u>987,193</u>
OPERATING EXPENSES				
Salaries and Employee Benefits	301,377	385,876	26,041	713,294
Cost of Sales - Reimbursable Programs	209,576			209,576
Cost of Sales - Non-Reimbursable Programs	138,115			
Purchased Management Services	51,898			51,898
Other Purchased Services	12,714	2,373	350	15,437
Supplies and Materials	27,749	45,104	3,537	76,390
Miscellaneous	1,621			1,621
Depreciation	10,001	7,594	-	17,595
Total Operating Expenses	<u>753,051</u>	<u>440,947</u>	<u>29,928</u>	<u>1,223,926</u>
Operating Income (Loss)	<u>(147,909)</u>	<u>(92,784)</u>	<u>3,960</u>	<u>(236,733)</u>
NONOPERATING REVENUES				
Federal Sources				
National School Lunch Program	518			518
National School Breakfast Program	147,668			147,668
Food Distribution Program	50,473			50,473
State Sources				
State School Lunch Program	5,574			5,574
Interest	1,449	1,422	160	3,031
Total Nonoperating Revenues	<u>205,682</u>	<u>1,422</u>	<u>160</u>	<u>207,264</u>
Change in Net Position Before Transfers	<u>57,773</u>	<u>(91,362)</u>	<u>4,120</u>	<u>(29,469)</u>
Transfers Out	<u>-</u>	<u>(1,325)</u>	<u>(156)</u>	<u>(1,481)</u>
Change in Net Position	57,773	(92,687)	3,964	(30,950)
Total Net Position, Beginning of Year	<u>272,018</u>	<u>311,066</u>	<u>26,407</u>	<u>609,491</u>
Total Net Position, End of Year	<u>\$ 329,791</u>	<u>\$ 218,379</u>	<u>\$ 30,371</u>	<u>\$ 578,541</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, 2017**

	Business-Type Activities - Enterprise Fund			Totals
	Food Service	Knight Care Latchkey Program	Non-Major Enterprise Fund	
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 603,061	\$ 347,405	\$ 44,196	\$ 994,662
Cash Payments for Employees' Salaries and Benefits	(301,377)	(379,766)	(26,041)	(707,184)
Cash Payments to Suppliers for Goods and Services	(431,101)	(60,310)	(3,567)	(494,978)
Net Cash Provided/(Used) by Operating Activities	(129,417)	(92,671)	14,588	(207,500)
Cash Flows from Noncapital Financing Activities				
Cash Received from State and Federal Subsidy				
Reimbursements	172,048			172,048
Cash Payments to Other Funds	-	(1,325)	(156)	(1,481)
Net Cash Provided/(Used) by Noncapital Financing Activities	172,048	(1,325)	(156)	170,567
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(58,823)	-	-	(58,823)
Net Cash Used By Capital and Related Financing Activities	(58,823)	-	-	(58,823)
Cash Flows from Investing Activities				
Interest on Investments	1,449	1,422	160	3,031
Net Cash Provided by Investing Activities	1,449	1,422	160	3,031
Net Increase (Decrease) in Cash and Cash Equivalents	(14,743)	(92,574)	14,592	(92,725)
Cash and Cash Equivalents, Beginning of Year	255,661	274,465	32,669	562,795
Cash and Cash Equivalents, End of Year	\$ 240,918	\$ 181,891	\$ 47,261	\$ 470,070
Reconciliation of Operating Income (Loss) to Net Cash Provided/(Used) by Operating Activities				
Operating Income (Loss)	\$ (147,909)	\$ (92,784)	\$ 3,960	\$ (236,733)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided/(Used) by Operating Activities				
Depreciation	10,001	7,594		17,595
Food Distribution Program (USDA Commodities)	50,473			50,473
Change in Assets, Liabilities and Deferred Inflows of Resources				
(Increase)/Decrease in Accounts Receivable	(1,005)	(468)		(1,473)
(Increase)/Decrease in Inventories	217			217
(Increase)/Decrease in Due from Other Funds	(3,232)			(3,232)
Increase/(Decrease) in Due to Other Funds		660		660
Increase/(Decrease) in Accounts Payable	(38,672)	(2,539)	320	(40,891)
Increase/(Decrease) in Accrued Salaries and Wages		(5,134)	-	(5,134)
Increase/(Decrease) in Deferred Commodities Revenue	(1,446)			(1,446)
Increase/(Decrease) in Unearned Revenue	2,156	-	10,308	12,464
Total Adjustments	18,492	113	10,628	29,233
Net Cash Provided/(Used) by Operating Activities	\$ (129,417)	\$ (92,671)	\$ 14,588	\$ (207,500)
Non-Cash Investing, Capital and Financing Activities				
Value Received - Food Distribution Program	\$ 49,027			

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, 2017**

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 24,330	\$ 176,889	\$ 569,177
Total Assets	<u>24,330</u>	<u>176,889</u>	<u>\$ 569,177</u>
LIABILITIES			
Intergovernmental Accounts Payable	\$ 981		
Employee Deposits Payable			\$ 370,948
Payroll Deductions and Withholdings			237
Due to Other Funds			61
Due to Student Groups	<u>-</u>	<u>-</u>	<u>197,931</u>
Total Liabilities	<u>981</u>	<u>-</u>	<u>\$ 569,177</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 23,349</u>	<u>\$ 176,889</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, 2017**

	Unemployment Compensation <u>Trust</u>	Private Purpose Scholarship <u>Fund</u>
ADDITIONS		
Contributions		
Employer	\$ 35,000	
Employee	35,931	
Private		\$ 59,235
Investment Earnings		
Interest	<u>87</u>	<u>295</u>
 Total Additions	 <u>71,018</u>	 <u>59,530</u>
DEDUCTIONS		
Scholarship Awards		33,150
Unemployment Claims and Contributions	<u>41,214</u>	<u> </u>
 Total Deductions	 <u>41,214</u>	 <u>33,150</u>
 Change in Net Position	 29,804	 26,380
Net Position (Deficit), Beginning of Year	<u>(6,455)</u>	<u>150,509</u>
Net Position, End of Year	<u>\$ 23,349</u>	<u>\$ 176,889</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, 2017**

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 2017, the District adopted the following GASB statements:

- 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*. 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. 77, *Tax Abatement Disclosures*. 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. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. 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.

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

- 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. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

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, 2017**

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 funds and the food service and Knight Care Latchkey Program 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, 2017**

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, 2017**

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, 2017**

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 acquisition 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

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 future periods 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.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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*

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.

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 2C).

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 2D).

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 2E).

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that is required to be appropriated in the 2018/2019 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, 2016 audited excess surplus that was appropriated in the 2017/2018 original budget certified for taxes.

NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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)*

Governmental Fund Statements (Continued)

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.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2017/2018 District budget certified for taxes.

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.

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 1st 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.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

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 2015-2016 and 2016-2017 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 knight care latchkey program enterprise fund, and of the government's 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.

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.

**NEW MILFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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 2016/2017. Also, during 2016/2017 the Board increased the original budget by \$699,492. The increase was funded by grant awards and the reappropriation of prior year general fund encumbrances.

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.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriation resulted in an unfavorable variance.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Custodial Services			
Other Purchases Property Services	\$42,005	\$44,969	\$(2,964)

The above variances were offset with other available resources.

C. 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.

**NEW MILFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

The activity of the capital reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016		\$	111,319
Increased by:			
Deposits Approved by Board Resolution	\$	100,000	
Return of Unexpended Funds		74,788	
Interest Earned		<u>551</u>	
			<u>175,339</u>
Balance, June 30, 2017		\$	<u>286,658</u>

D. 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, 2017 is as follows:

Balance, July 1, 2016		\$	18,874
Increased by:			
Deposits Approved by Board Resolution	\$	100,000	
Interest Earned		<u>62</u>	
			<u>100,062</u>
Balance, June 30, 2017		\$	<u>118,936</u>

The June 30, 2017 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$1,818,880.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

E. 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 or the withdrawal is included in the original budget certified for taxes to finance school security improvements to school facilities pursuant to 18A:7G-6(c)1. 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, 2017 is as follows:

Balance, July 1, 2016	<u>\$ 285,199</u>
Balance, June 30, 2017	<u>\$ 285,199</u>

F. 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, 2017 is \$1,733,645. Of this amount, \$863,035 was designated and appropriated in the 2017/2018 original budget certified for taxes and the remaining amount of \$870,610 will be appropriated in the 2018/2019 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), National Credit Union Share Insurance Fund (NCUSIF), 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.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2017, the book value of the Board's deposits were \$4,579,723 and bank and brokerage firm balances of the Board's deposits amounted to \$4,777,919. 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>4,777,919</u>
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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, 2017 the Board's bank balance of \$4,777,919 was exposed to custodial credit risk as follows:

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, 2017, 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.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2017 for the district's individual major funds are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Latchkey Program</u>	<u>Total</u>
Receivables:					
Intergovernmental:					
State	\$ 91,995		\$ 398		\$ 92,393
Federal		133,914	10,677		144,591
Accounts	<u>37,269</u>	<u>16,426</u>	<u>2,616</u>	\$ 758	<u>57,069</u>
Total Gross Receivables	<u>\$ 129,264</u>	<u>\$ 150,340</u>	<u>\$ 13,691</u>	<u>\$ 758</u>	<u>\$ 294,053</u>

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	\$ 7,844
Grand Draw Downs Reserved for Encumbrances	<u>11,525</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 19,369</u>

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017 was as follows:

	Restated Balance <u>July 1, 2016</u>	<u>Increases</u>	<u>Transfers</u>	Balance, <u>June 30, 2017</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,255,000			\$ 3,255,000
Construction in Progress	1,035,340	\$ 236,416	\$ (1,271,756)	-
Total Capital Assets, Not Being Depreciated	<u>4,290,340</u>	<u>236,416</u>	<u>(1,271,756)</u>	<u>3,255,000</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	27,579,205	129,660	\$ 1,228,819	28,937,684
Land Improvements	1,522,614	46,159	42,937	1,611,710
Machinery and Equipment	3,357,347	542,006	-	3,899,353
Total Capital Assets Being Depreciated	<u>32,459,166</u>	<u>717,825</u>	<u>1,271,756</u>	<u>34,448,747</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(12,612,365)	(492,505)		(13,104,870)
Land Improvements	(1,051,942)	(35,507)		(1,087,449)
Machinery and Equipment	(1,957,219)	(231,357)	-	(2,188,576)
Total Accumulated Depreciation	<u>(15,621,526)</u>	<u>(759,369)</u>	<u>-</u>	<u>(16,380,895)</u>
Total Capital Assets, Being Depreciated, Net	<u>16,837,640</u>	<u>(41,544)</u>	<u>1,271,756</u>	<u>18,067,852</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,127,980</u>	<u>\$ 194,872</u>	<u>\$ -</u>	<u>\$ 21,322,852</u>

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2017</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 227,686	\$ 58,823	-	\$ 286,509
Total Capital Assets Being Depreciated	<u>227,686</u>	<u>58,823</u>	<u>-</u>	<u>286,509</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(154,649)	(17,595)	-	(172,244)
Total Accumulated Depreciation	<u>(154,649)</u>	<u>(17,595)</u>	<u>-</u>	<u>(172,244)</u>
Total Capital Assets, Being Depreciated, Net	<u>73,037</u>	<u>41,228</u>	<u>-</u>	<u>114,265</u>
Business-Type Activities Capital Assets, Net	<u>\$ 73,037</u>	<u>\$ 41,228</u>	<u>\$ -</u>	<u>\$ 114,265</u>

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

Governmental Activities:

Instruction		
Regular		\$ 62,563
Special Education		3,914
School-Sponsored/Activities and Athletics		3,579
Total Instruction		<u>70,056</u>
Support Services		
Student and Instruction Related Services		1,457
General Administrative Services		464
School Administrative Services		12,687
Central and Other Support Services		44,525
Plant Operations and Maintenance		589,435
Pupil Transportation		40,745
Total Support Services		<u>689,313</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 759,369</u>

Business-Type Activities:

Food Service		\$ 10,001
Knight Care Latch Key Program		7,594
Total Depreciation Expense-Business-Type Activities		<u>\$ 17,595</u>

**NEW MILFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2017, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Payroll Agency Fund	\$ 61
Food Service Fund	General Fund	19,687
Food Service Fund	Latchkey Enterprise Fund	<u>3,450</u>
 Total		 <u>\$ 23,198</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.

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

Interfund transfers

	<u>Transfers In:</u>
	<u>General Fund</u>
Transfers Out:	
Capital Projects fund	\$ 417,416
Knight Care Latchkey Enterprise Fund	1,325
Broadway Kids Summer Program Enterprise Fund	42
After School Enrichment Enterprise Fund	<u>114</u>
	<u>\$ 418,897</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.

F. Leases

Operating Leases

The District leases copiers under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2017 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>
2018	\$ 71,940
2019	<u>11,990</u>
 Total	 <u>\$ 83,930</u>

**NEW MILFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Capital Leases

The District is leasing several vehicles, office equipment and a server totaling \$472,919 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	\$ 472,919
Total	<u>\$ 472,919</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2018	\$ 128,493
2019	127,892
2020	40,773
2021	<u>20,943</u>
Total minimum lease payments	318,101
Less: amount representing interest	<u>12,108</u>
Present value of minimum lease payments	<u>\$ 305,993</u>

Lease Purchase Agreements

The District had previously entered into lease purchase agreements for the purchase of chromebooks for the term of 3 years. The District made the final lease payment during the fiscal year ended June 30, 2017.

**NEW MILFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

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, 2017 are comprised of the following issues:

\$4,515,000, 2009 Refunding Bonds, due in annual installments of \$425,000 to \$435,000 through August 15, 2020, interest at 4.00%	<u>\$1,725,000</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:

Fiscal Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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>\$ 1,725,000</u>	<u>\$ 137,300</u>	<u>\$ 1,862,300</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2017 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 72,306,008
Less: Net Debt Issued	<u>1,725,000</u>
Remaining Borrowing Power	<u>\$ 70,581,008</u>

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the fiscal year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 2,165,000		\$ 440,000	\$ 1,725,000	\$ 435,000
Add:					
Unamortized Premium	74,973	-	21,766	53,207	-
Total Bonds Payable	<u>2,239,973</u>	<u>-</u>	<u>461,766</u>	<u>1,778,207</u>	<u>435,000</u>
Capital Leases Payable	252,438	\$ 275,156	221,601	305,993	121,656
Lease Purchase Agreements Payable	52,863		52,863	-	-
Compensated Absences Payable	402,181	118,153	103,599	416,735	41,673
Net Pension Liability	<u>10,986,056</u>	<u>4,781,505</u>	<u>459,185</u>	<u>15,308,376</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 13,933,511</u>	<u>\$ 5,174,814</u>	<u>\$ 1,299,014</u>	<u>\$ 17,809,311</u>	<u>\$ 598,329</u>

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

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.

**NEW MILFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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 June 30,	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance (Deficit)
2017	\$ 35,000	\$ 35,931	\$ 41,214	\$ 23,349
2016	45,000	33,466	108,884	(6,455)
2015	20,000	34,146	76,452	23,854

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, 2017, 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, 2017, the District has not estimated its arbitrage earnings due to the IRS, if any.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

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.

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.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits 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.

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 28 percent with an unfunded actuarial accrued liability of \$108.6 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 22.33 percent and \$79.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 40.14 percent and \$29.6 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, 2015 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 7.65 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

**NEW MILFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan 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 7.06% for PERS, 7.06% 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, 2017 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.

During the fiscal years ended June 30, 2017, 2016 and 2015 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2017	\$ 459,185	\$ 1,459,377	\$ 23,129
2016	420,753	1,058,012	12,175
2015	399,988	689,679	20,246

In addition for fiscal year 2016/2017 the District contributed \$3,746 for PERS and the State contributed \$4,689 for TPAF for Long Term Disability Insurance Premium (LTDI).

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 \$1,014,208 during the fiscal year ended June 30, 2017 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.

**NEW MILFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Public Employees Retirement System (PERS)

At June 30, 2017, the District reported in the statement of net position (accrual basis) a liability of \$15,308,376 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 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, 2016, the District's proportionate share was .05169 percent, which was an increase of 0.00275 percent from its proportionate share measured as of June 30, 2015 of 0.04894 percent.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,660,368 for PERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 284,689	
Changes of Assumptions	3,171,078	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	583,722	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>798,610</u>	<u>\$ -</u>
Total	<u>\$ 4,838,099</u>	<u>\$ -</u>

At June 30, 2017, the 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>	<u>Total</u>
2018	\$ 1,080,976
2019	1,080,976
2020	1,080,976
2021	1,290,438
2022	<u>304,733</u>
	<u>\$ 4,838,099</u>

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 District's total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2016 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%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

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

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.98%

**NEW MILFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$7,810,727 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, 2017 the State's proportionate share of the net pension liability attributable to the District is \$103,954,407. 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, 2016. At June 30, 2016, the state's share of the net pension liability attributable to the District was 0.13215 percent, which was an increase of 0.00458 percent from its proportionate share measured as of June 30, 2015 of 0.12757 percent.

Actuarial Assumptions

The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2016 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%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

**NEW MILFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.22%

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, 2029
Municipal Bond Rate *	From July 1, 2029 and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. 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 3.22% 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 (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	\$ 124,144,793	\$ 103,954,407	\$ 87,466,351

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2016. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2016 was not provided by the pension system.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

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 584 state and local participating employers and contributing entities for Fiscal Year 2016.

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.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.9 billion for state active and retired members and \$41.6 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, 2015, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

E. 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, 2016, there were 110,512, retirees receiving post-retirement medical benefits and the State contributed \$1.37 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 (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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/2016divisioncombined.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, 2017, 2016 and 2015 were \$1,215,992, \$1,259,799 and \$1,094,866, 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.

**NEW MILFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 5 RESTATEMENT

In the previously issued financial statements for the year ending June 30, 2016, the New Milford Board of Education did not accurately reflect certain capital assets balances or the accumulated depreciation at year end. The District has determined the effect of this restatement on the financial statements previously reported as of and for the fiscal year ended June 30, 2016 was to decrease governmental activities capital assets, net, with a decrease in the net investment in capital assets component of net position in the amount of \$1,802,648.

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, 2017**

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
REVENUES					
Local Sources					
Property Taxes	\$ 31,437,772		\$ 31,437,772	\$ 31,437,772	
Tuition from Other LEAs Within the State	494,720		494,720	460,111	\$ (34,609)
Transportation Fees from Other LEA's	14,010		14,010	50,308	36,298
Interest				23,366	23,366
Interest Earned on Current Expense Emergence Reserve	675		675		(675)
Interest Earned on Maintenance Reserve	275		275	62	(213)
Interest Earned on Capital Reserve	250		250	551	301
Miscellaneous	23,477	-	23,477	79,866	56,389
Total Local Sources	31,971,179	-	31,971,179	32,052,036	80,857
State Sources					
Special Education Aid	1,294,330	-	1,294,330	1,294,330	-
Equalization Aid	312,017	-	312,017	312,017	-
Security Aid	47,564	-	47,564	47,564	-
Transportation Aid	82,397	-	82,397	82,397	-
PARCC Readiness Aid	20,170	-	20,170	20,170	-
Per Pupil Growth Aid	20,170	-	20,170	20,170	-
Professional Learning Community Aid	19,720	-	19,720	19,720	-
Extraordinary Aid	450,000	-	450,000	836,692	386,692
Nonpublic Transportation Aid				40,760	40,760
TPAF Pension Benefits Contribution (Non-Budget)				1,408,349	1,408,349
TPAF Pension - NCGI Premium (Non-Budget)				51,028	51,028
TPAF Post Retirement Medical Contribution (Non-Budget)	-		-	1,215,992	1,215,992
TPAF Long Term Disability Insurance (Non-Budget)				4,689	4,689
TPAF Social Security Reimbursements (Non-Budget)	-	-	-	1,014,208	1,014,208
Total State Sources	2,246,368	-	2,246,368	6,368,086	4,121,718
Federal Sources					
Medicaid Reimbursement	20,495	-	20,495	6,237	(14,258)
Total Federal Sources	20,495	-	20,495	6,237	(14,258)
Total Revenues	34,238,042	-	34,238,042	38,426,359	4,188,317
EXPENDITURES					
CURRENT					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	535,608	\$ (107,230)	428,378	426,150	2,228
Grades 1-5	2,774,879	35,068	2,809,947	2,809,947	-
Grades 6-8	2,052,155	10,076	2,062,231	2,060,139	2,092
Grades 9-12	3,291,976	(142,359)	3,149,617	3,145,960	3,657
Regular Programs - Home Instruction					
Salaries of Teachers	6,000	(3,000)	3,000		3,000
Purchased Professional/Educational Services	10,000	10,624	20,624	20,624	-
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	14,500	6,370	20,870	19,620	1,250
Purchased Professional/Educational Services	19,650	(3,114)	16,536	15,346	1,190
Purchased Technical Services	300	-	300		300
Other Purchased Services	78,956	5,529	84,485	83,311	1,174
General Supplies	574,749	(107,591)	467,158	450,001	17,157
Textbooks	173,368	1,723	175,091	170,667	4,424
Other Objects	17,700	32,718	50,418	37,490	12,928
Total Regular Programs	9,549,841	(261,186)	9,288,655	9,239,255	49,400

NEW MILFORD BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

EXHIBIT C-1

EXPENDITURES (Continued)	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
CURRENT (Continued)					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 188,335	\$ 20,368	\$ 208,703	\$ 207,775	\$ 928
Other Salaries for Instruction	115,500	32,970	148,470	148,470	-
General Supplies	3,700	49	3,749	3,483	266
Textbooks	2,000	(405)	1,595	1,235	360
Total Learning and/or Language Disabilities	309,535	52,982	362,517	360,963	1,554
Multiple Disabilities					
Salaries of Teachers	117,560	(61,360)	56,200	56,105	95
Other Salaries for Instruction	139,800	(84,277)	55,523	55,523	-
General Supplies	21,000	(2,923)	18,077	17,268	809
Textbooks	1,000	(399)	601	601	-
Other Objects	10,000	(2,588)	7,412	7,235	177
Total Multiple Disabilities	289,360	(151,547)	137,813	136,131	1,682
Resource Room/Resource Center					
Salaries of Teachers	1,380,390	(3,030)	1,377,360	1,357,330	20,030
Other Salaries for Instruction	258,400	(78,363)	180,037	180,037	-
General Supplies	6,100	-	6,100	3,410	2,690
Textbooks	5,778	(4,050)	1,728	517	1,211
Total Resource Room/Resource Center	1,650,668	(85,443)	1,565,225	1,541,294	23,931
Autism					
Salaries of Teachers	161,960	44,778	206,738	206,738	-
Other Salaries for Instruction	234,200	153,494	387,694	387,694	-
General Supplies	3,000	5,580	8,580	8,461	119
Total Autism	399,160	203,852	603,012	602,893	119
Preschool Disabilities - Part-Time					
Salaries of Teachers	74,660	625	75,285	74,862	423
Other Salaries for Instruction	38,100	19,358	57,458	57,458	-
General Supplies	500	-	500	500	-
Total Preschool Disabilities - Part-Time	113,260	19,983	133,243	132,820	423
Preschool Disabilities - Full-Time					
Salaries of Teachers	62,730	255	62,985	62,985	-
Other Salaries for Instruction	111,600	91,142	202,742	202,742	-
General Supplies	500	-	500	385	115
Total Preschool Disabilities - Full-Time	174,830	91,397	266,227	266,112	115
Home Instruction					
Salaries of Teachers	1,000	(1,000)	-	-	-
Purchased Professional Educational Services	3,000	(3,000)	-	-	-
Total Home Instruction	4,000	(4,000)	-	-	-
Total Special Education	2,940,813	127,224	3,068,037	3,040,213	27,824
Basic Skills/Remedial					
Salaries of Teachers	162,780	1,932	164,712	164,712	-
Total Basic Skills/Remedial	162,780	1,932	164,712	164,712	-
Bilingual Education					
Salaries of Teachers	177,435	(15)	177,420	177,420	-
General Supplies	3,000	3,325	6,325	6,325	-
Total Bilingual Education	180,435	3,310	183,745	183,745	-

NEW MILFORD BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES (Continued)					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
School Sponsored Co/Extra Curricular Activities					
Salaries	\$ 228,399	\$ (55,789)	\$ 172,610	\$ 172,610	-
Purchased Services	11,200	(1,140)	10,060	10,060	-
Supplies and Materials	23,100	(7,176)	15,924	14,648	\$ 1,276
Other Objects	4,200	172	4,372	1,291	3,081
Total School Sponsored Co/Extra Curricular Activities	266,899	(63,933)	202,966	198,609	4,357
School Sponsored Athletics					
Salaries	415,783	(5,015)	410,768	410,768	-
Purchased Services	168,450	(43,341)	125,109	125,109	-
Supplies and Materials	49,300	16,007	65,307	65,264	43
Other Objects	9,700	(1,976)	7,724	7,649	75
Total School Sponsored Athletics	643,233	(34,325)	608,908	608,790	118
Instructional Alternative Ed Prog - Instruction					
Salaries	41,000	21,580	62,580	62,580	-
Purchased Professional and Technical Services	750	(750)	-	-	-
Total Instructional/Alternative Ed Prog - Instruction	41,750	20,830	62,580	62,580	-
Total Instruction	13,785,751	(206,148)	13,579,603	13,497,904	81,699
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs w/ State - Special	966,986	(438,321)	528,665	528,665	-
Tuition to County Voc. School Dist.-Regular	278,174	92,811	370,985	321,984	49,001
Tuition to County Voc. School Dist.- Special	160,896	(31,881)	129,015	121,536	7,479
Tuition to CSSD & Reg. Day Schools	108,670	302,606	411,276	411,276	-
Tuition to Priv. Sch. Disabled - Within State	801,114	65,981	867,095	867,094	1
Total Undistributed Expenditures - Instruction	2,315,840	(8,804)	2,307,036	2,250,555	56,481
Attendance and Social Work					
Salaries	104,830	887	105,717	105,696	21
Purchased Professional and Technical Services	31,000	(8,193)	22,807	22,807	-
Other Purchased Services	2,500	1,460	3,960	3,748	212
Supplies and Materials	1,000	161	1,161	984	177
Total Attendance and Social Work	139,330	(5,685)	133,645	133,235	410
Health Services					
Salaries	345,768	(15,687)	330,081	320,307	9,774
Purchased Professional and Technical Services	26,075	3,211	29,286	26,965	2,321
Other Purchased Services	225	332	557	526	31
Supplies and Materials	5,000	1,007	6,007	5,664	343
Other Objects	400	-	400	-	400
Total Health Services	377,468	(11,137)	366,331	353,462	12,869
Speech, OT, PT & Related Serv.					
Salaries	337,080	(8,617)	328,463	316,191	12,272
Purchased Professional/Educational Services	154,020	(29,466)	124,554	98,485	26,069
Supplies and Materials	1,050	1,018	2,068	1,934	134
Total Speech, OT, PT, & Related Serv.	492,150	(37,065)	455,085	416,610	38,475
Other Support Services - Students - Extra Serv.					
Salaries	506,430	144,072	650,502	650,502	-
Purchased Professional/Educational Services	417,000	(14,063)	402,937	378,396	24,541
Total Other Supp.Serv. Student - Extra Serv.	923,430	130,009	1,053,439	1,028,898	24,541

**NEW MILFORD BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES (Continued)					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Guidance					
Salaries of Other Professional Staff	\$ 555,972	\$ (1,017)	\$ 554,955	\$ 554,955	-
Salaries of Secretarial & Clerical Assistants	41,531	-	41,531	41,531	-
Purchased Professional-Educational Services	500	(487)	13	-	\$ 13
Other Purchased Professional and Technical Svcs.	10,650	-	10,650	8,778	1,872
Other Purchased Services	1,800	-	1,800	-	1,800
Supplies and Materials	6,590	(1,411)	5,179	4,187	992
Other Objects	1,000	-	1,000	890	110
Total Guidance	618,043	(2,915)	615,128	610,341	4,787
Child Study Team					
Salaries of Other Professional Staff	789,288	(4,451)	784,837	784,837	-
Salaries of Secretarial & Clerical Assistants	147,291	(7,661)	139,630	139,630	-
Purchased Professional-Educational Services	62,000	(4,416)	57,584	56,934	650
Other Purchased Services	3,900	1,029	4,929	4,555	374
Supplies and Materials	10,000	20,333	30,333	30,332	1
Other Objects	1,600	139	1,739	1,739	-
Total Child Study Team	1,014,079	4,973	1,019,052	1,018,027	1,025
Educational Media/School Library					
Salaries	198,225	118	198,343	195,439	2,904
Salaries of Technology Coordinators	125,292	302	125,594	124,768	826
Purchased Professional and Technical Services	7,300	(3,869)	3,431	-	3,431
Supplies and Materials	35,980	(2,062)	33,918	28,253	5,665
Other Objects	200	-	200	-	200
Total Educational Media/School Library	366,997	(5,511)	361,486	348,460	13,026
Instructional Staff Training Services					
Salaries of Other Professional Staff	15,100	(6,400)	8,700	6,750	1,950
Purchased Professional-Educational Services	39,100	885	39,985	29,027	10,958
Other Purchased Services	7,700	(582)	7,118	6,169	949
Total Instructional Staff Training Services	61,900	(6,097)	55,803	41,946	13,857
Support Services General Administration					
Salaries	392,142	9,725	401,867	401,291	576
Legal Services	50,000	21,597	71,597	54,184	17,413
Audit Fees	30,000	33,775	63,775	34,425	29,350
Architectural / Engineering Services	25,000	6,535	31,535	28,010	3,525
Other Purchased Professional Services	6,000	824	6,824	6,770	54
Purchased Technical Services	9,300	765	10,065	8,784	1,281
Communications/Telephone	105,200	270	105,470	104,334	1,136
BOE Other Purchased Services	6,000	(509)	5,491	4,708	783
Miscellaneous Purchased Services	17,632	1,004	18,636	18,636	-
General Supplies	5,700	802	6,502	5,856	646
BOE In-House Training/Meeting Supplies	900	-	900	695	205
Judgements Against District	50,000	9,858	59,858	54,115	5,743
Miscellaneous Expenditures	4,525	-	4,525	3,963	562
BOE Membership Dues and Fees	13,000	-	13,000	12,777	223
Total Support Services General Administration	715,399	84,646	800,045	738,548	61,497
Support Services School Administration					
Salaries of Principals/Asst. Principals/Prog Director	805,381	4,105	809,486	809,486	-
Salaries of Other Professional Staff	625,658	134,323	759,981	759,631	350
Salaries of Secretarial and Clerical Assistants	377,930	200	378,130	377,694	436
Other Purchased Services	14,850	(7,830)	7,020	5,769	1,251
Supplies and Materials	42,750	(1,893)	40,857	30,815	10,042
Other Objects	14,251	225	14,476	9,717	4,759
Total Support Services School Administration	1,880,820	129,130	2,009,950	1,993,112	16,838

NEW MILFORD BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES (Continued)					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Undistributed Expenditures - Central Services					
Salaries	\$ 435,764	\$ (17,443)	\$ 418,321	\$ 418,321	-
Purchased Professional Services	5,000	(4,965)	35	35	-
Purchased Technical Services	22,492	15,806	38,298	38,298	-
Misc. Purchased Services	6,900	(1,835)	5,065	4,559	\$ 506
Supplies and Materials	4,000	(802)	3,198	3,198	-
Miscellaneous Expenditures	1,750	-	1,750	1,528	222
Total Undistributed Expenditures - Central Services	475,906	(9,239)	466,667	465,939	728
Undistributed Expenditures - Admin. Info. Tech.					
Salaries	191,925	(1,751)	190,174	190,173	1
Purchased Professional Services	5,000	(5,000)	-	-	-
Purchased Technical Services	12,750	23,662	36,412	36,412	-
Other Purchased Services	72,000	(68,202)	3,798	3,798	-
Supplies and Materials	83,220	(32,924)	50,296	44,200	6,096
Total Undistributed Expenditures - Admin. Info. Tech.	364,895	(84,215)	280,680	274,583	6,097
Required Maintenance for School Facilities					
Salaries	355,098	6,263	361,361	341,459	19,902
Cleaning, Repair and Maintenance Services	149,695	39,009	188,704	169,188	19,516
General Supplies	96,200	11,547	107,747	102,326	5,421
Total Required Maintenance for School Facilities	600,993	56,819	657,812	612,973	44,839
Custodial Services					
Salaries	1,114,830	5,143	1,119,973	1,055,826	64,147
Salaries of Non-Instructional Aides	170,000	-	170,000	151,355	18,645
Purchased Professional-Technical Services	31,790	(13,200)	18,590	15,484	3,106
Cleaning, Repair and Maintenance Services	112,785	28,070	140,855	120,965	19,890
Rental of Land and Bldg Other than Lease Purch. Agmt.	-	31,296	31,296	31,296	-
Other Purchased Property Services	40,500	1,505	42,005	44,969	(2,964)
Insurance	283,200	(25,000)	258,200	256,353	1,847
Miscellaneous Purchased Services	8,200	(6,254)	1,946	1,946	-
General Supplies	97,320	4,697	102,017	91,845	10,172
Energy (Natural Gas)	261,000	25,647	286,647	257,860	28,787
Energy (Electricity)	369,000	(34,779)	334,221	295,655	38,566
Energy (Gasoline)	12,000	-	12,000	5,149	6,851
Other Objects	350	-	350	350	-
Total Custodial Services	2,500,975	17,125	2,518,100	2,329,053	189,047
Care and Upkeep of Grounds					
Salaries	149,389	(2,264)	147,125	144,696	2,429
Cleaning, Repair and Maintenance Services	69,700	(15,003)	54,697	54,152	545
General Supplies	16,000	20,383	36,383	34,968	1,415
Total Care and Upkeep of Grounds	235,089	3,116	238,205	233,816	4,389
Security					
Purchased Professional-Technical Services	148,630	(4,512)	144,118	136,284	7,834
Cleaning, Repair and Maintenance Services	50,500	(27,268)	23,232	15,970	7,262
Total Security	199,130	(31,780)	167,350	152,254	15,096

**NEW MILFORD BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES (Continued)					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Student Transportation Services					
Salaries of Non-Instructional Aides	\$ 40,000	\$ 14,159	\$ 54,159	\$ 54,159	-
Salaries for Pupil Transportation (Between Home and School) - Regular	43,409	21	43,430	43,430	-
Salaries for Pupil Transportation (Between Home and School) - Spec. Ed.	113,410	(31,485)	81,925	81,925	-
Salaries for Pupil Transportation (Other Than Between Home and School)	142,464	7,060	149,524	145,837	\$ 3,687
Other Purchased Professional and Technical Svs.	7,250	-	7,250	2,003	5,247
Cleaning, Repair and Maintenance Services	20,000	7,000	27,000	24,470	2,530
Lease Purchase Payment - School Buses	59,000	96,123	155,123	54,035	101,088
Contracted Services - Aid in Lieu of Payments-Nonpublic Schools	181,220	(1,169)	180,051	167,366	12,685
Contracted Services - Aid in Lieu of Payments - Choice Sch. Students	1,768	-	1,768	-	1,768
Contracted Services (Between Home and School) - Vendors	20,500	(1,700)	18,800	18,800	-
Contracted Services (Other Than Between Home and School) - Vendors	7,500	690	8,190	8,190	-
Contracted Services (Between Home and School) - Joint Agreement	-	2,652	2,652	2,299	353
Contracted Services (Special Ed Students) - Joint Agreement	100,000	(55,631)	44,369	44,369	-
Contracted Services (Reg. Students) - ESCs & CTAS	53,000	23,084	76,084	76,084	-
Contracted Serv. (Spl. Ed. Students)- ESCs & CTAS	255,215	22,106	277,321	277,321	-
General Supplies	500	2,905	3,405	3,276	129
Transportation Supplies	30,000	-	30,000	18,829	11,171
Other Objects	2,150	-	2,150	2,060	90
Total Student Transportation Services	1,077,386	85,815	1,163,201	1,024,453	138,748
Unallocated Benefits- Employee Benefits					
Group Insurance	7,000	2,474	9,474	9,474	-
Social Security Contributions	540,000	871	540,871	540,871	-
Other Retirement Contributions - PERS	494,025	(30,450)	463,575	463,575	-
Other Retirement Contributions - Regular	18,000	5,129	23,129	23,129	-
Unemployment Compensation	30,000	10,000	40,000	35,000	5,000
Workmen's Compensation	180,000	(36,804)	143,196	143,196	-
Health Benefits	5,110,500	(112,172)	4,998,328	4,998,328	-
Tuition Reimbursement	68,900	-	68,900	45,000	23,900
Other Employee Benefits	171,050	(9,291)	161,759	160,880	879
Unused Sick Payment to Terminated/Retired Staff	-	38,475	38,475	38,475	-
Total Unallocated Benefits	6,619,475	(131,768)	6,487,707	6,457,928	29,779
On-Behalf (Non-Budget)					
TPAF Pension Benefit Contribution (Non-Budget)	-	-	-	1,408,349	(1,408,349)
TPAF Pension - NCGI Premium (Non-Budget)	-	-	-	51,028	(51,028)
TPAF Post Retirement Medical Contribution (Non-Budget)	-	-	-	1,215,992	(1,215,992)
TPAF Long Term Disability Insurance (Non-Budget)	-	-	-	4,689	(4,689)
TPAF Social Security Reimbursements (Non-Budget)	-	-	-	1,014,208	(1,014,208)
Total On-Behalf	-	-	-	3,694,266	(3,694,266)
Total Undistributed Expenditures	20,979,305	177,417	21,156,722	24,178,459	(3,021,737)
Total Current Expenditures	34,765,056	(28,731)	34,736,325	37,676,363	(2,940,038)

NEW MILFORD BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES (Continued)					
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction					
Grades 1-5	\$ 22,000	\$ (2,730)	\$ 19,270	\$ 19,270	-
Grades 6-8	21,000	1,019	22,019	22,019	-
Grades 9-12	55,000	15,886	70,886	70,886	-
Multiple Disabilities		774	774	774	-
School Sponsored and Other Instructional Programs Undistributed	2,100	25,352	27,452	22,616	\$ 4,836
Instruction	68,000	(48,190)	19,810	19,810	-
Instructional Staff		6,676	6,676	6,676	-
Educational Media/School Library		10,000	10,000	10,000	-
Central Services	12,600	(8,465)	4,135	4,135	-
Admin. Info. Tech.		87,969	87,969	87,969	-
Care and Upkeep of Grounds	26,500	4,690	31,190	9,491	21,699
Non-Instructional Equipment	-	157,622	157,622	157,622	-
Total Equipment	207,200	250,603	457,803	431,268	26,535
Facilities Acquisition and Construction Services					
Other Purchased Professional and Technical Services		14,371	14,371	9,004	5,367
Construction Services	55,506	309,757	365,263	345,935	19,328
Assessment for Debt Service on SDA Funding	40,094	-	40,094	40,094	-
Total Facilities Acquisition and Construction Services	95,600	324,128	419,728	395,033	24,695
Assets Acquired Under Capital Lease					
	-	-	-	275,156	(275,156)
Total Capital Outlay	302,800	574,731	877,531	1,101,457	(223,926)
Transfer of Funds to Charter Schools					
	-	14,920	14,920	14,920	-
Total General Fund	35,067,856	560,920	35,628,776	38,792,740	(3,163,964)
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(829,814)	(560,920)	(1,390,734)	(366,381)	1,024,353
Other Financing Sources (Uses)					
Capital Leases Proceeds				275,156	275,156
Transfers In - Capital Projects Fund				417,416	417,416
Transfers In - Enterprise Funds	-	-	-	1,481	1,481
Total Other Financing Sources (Uses)	-	-	-	694,053	694,053

NEW MILFORD BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources (Uses)	\$ (829,814)	\$ (560,920)	\$ (1,390,734)	\$ 327,672	\$ 1,718,406
Fund Balance, Beginning of Year	<u>3,372,243</u>	<u>-</u>	<u>3,372,243</u>	<u>3,372,243</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,542,429</u>	<u>\$ (560,920)</u>	<u>\$ 1,981,509</u>	<u>\$ 3,699,915</u>	<u>\$ 1,718,406</u>

Reconciliation of Governmental Funds Statements (GAAP)

Restricted Fund Balance	
Capital Reserve	\$ 286,658
Maintenance Reserve	118,936
Emergency Reserve	285,199
Excess Surplus (2018/19 Budget)	870,610
Excess Surplus - Designated for Subsequent Year's Budget (2017/18 Budget)	863,035
Committed Fund Balance	
Year End Encumbrances	29,350
Assigned Fund Balance	
Designated for Subsequent Year's Budget (2017/18 Budget)	50,000
Year End Encumbrances	72,209
Unassigned Fund Balance	<u>1,123,918</u>
Fund Balance- Budgetary Basis	3,699,915
Less: State Aid Revenue not recognized on GAAP basis	<u>(978,825)</u>
Fund Balance per Governmental Funds Statements (GAAP)	<u>\$ 2,721,090</u>

**NEW MILFORD BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 437,216	\$ 35,067	\$ 472,283	\$ 326,773	\$ (145,510)
Federal	838,426	67,453	905,879	853,923	(51,956)
Local	-	36,052	36,052	28,978	(7,074)
Total Revenues	<u>1,275,642</u>	<u>138,572</u>	<u>1,414,214</u>	<u>1,209,674</u>	<u>(204,540)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers		173,346	173,346	163,355	9,991
Purchased Professional/Technical Services	323,614	(65,837)	257,777	154,933	102,844
Other Purchased Services	899,176	(483,596)	415,580	382,244	33,336
General Supplies		167,092	167,092	133,577	33,515
Textbooks	36,316	1,186	37,502	36,204	1,298
Other Objects	-	302	302	302	-
Total Instruction	<u>1,259,106</u>	<u>(207,507)</u>	<u>1,051,599</u>	<u>870,615</u>	<u>180,984</u>
Support Services					
Salaries of Teachers		25,178	25,178	24,208	970
Salaries of Other Professional Staff	-	61,050	61,050	61,050	-
Purchased Professional/Technical Services		32,210	32,210	29,095	3,115
Other Purchased Services		100,361	100,361	96,688	3,673
Supplies and Materials	-	31,223	31,223	16,230	14,993
Indirect Costs	-	4,000	4,000	4,000	-
Total Support Services	<u>-</u>	<u>254,022</u>	<u>254,022</u>	<u>231,271</u>	<u>22,751</u>
Unallocated Benefits					
Employee Benefits	-	44,796	44,796	44,256	540
Facilities Acquisition and Equipment					
Construction Services		3,114	3,114		3,114
Instructional Equipment	16,536	(5,337)	11,199	16,548	(5,349)
Non-Instructional Equipment	-	49,484	49,484	46,984	2,500
Total Facilities Acquisition and Equipment	<u>16,536</u>	<u>47,261</u>	<u>63,797</u>	<u>63,532</u>	<u>265</u>
Total Expenditures	<u>1,275,642</u>	<u>138,572</u>	<u>1,414,214</u>	<u>1,209,674</u>	<u>204,540</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, 2017**

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.

	General Fund		Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedule	(C-1) \$ 38,426,359		(C-2) \$ 1,209,674
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, 2017			(11,525)
Encumbrances June 30, 2016			20,353
State Aid payments not recognized for budgetary purposes, recognized for GAAP statements. 2015/2016 State Aid	592,419		
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements. 2016/2017 State Aid	<u>(978,825)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2) \$ <u>38,039,953</u>		(B-2) \$ <u>1,218,502</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 38,792,740		(C-2) \$ 1,209,674
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, 2017			(11,525)
Encumbrances June 30, 2016	<u>-</u>		<u>20,353</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>38,792,740</u>		(B-2) \$ <u>1,218,502</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 Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	.05169%	0.04849%	0.04851%	0.04559%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 15,308,376</u>	<u>\$ 10,986,056</u>	<u>\$ 9,084,183</u>	<u>\$ 8,714,770</u>
District's Covered-Employee Payroll	<u>\$ 3,319,832</u>	<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	461.12%	322.66%	281.59%	271.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	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 Four Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 459,185	\$ 420,753	\$ 399,988	\$ 347,694
Contributions in Relation to the Contractually Required Contribution	<u>459,185</u>	<u>420,753</u>	<u>399,988</u>	<u>347,694</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	<u>\$ 3,319,832</u>	<u>\$ 3,404,892</u>	<u>\$ 3,226,012</u>	<u>\$ 3,209,279</u>
Contributions as a Percentage of Covered-Employee Payroll	13.83%	12.36%	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.

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

Teachers Pension and Annuity Fund

Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 103,954,407</u>	<u>\$ 80,628,389</u>	<u>\$ 65,249,801</u>	<u>\$ 63,067,602</u>
Total	<u>\$ 103,954,407</u>	<u>\$ 80,628,389</u>	<u>\$ 65,249,801</u>	<u>\$ 63,067,602</u>
District's Covered-Employee Payroll	<u>\$ 13,462,181</u>	<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%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	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, 2017

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, 2017**

	NM Education Foundation	Other Local Grants	Ch. 192 Svcs.			Ch. 193 Svcs.			Total Page 2	Grand Total 2017
			Nonpublic Compensatory Education	Nonpublic ESL	Nonpublic Transport.	Nonpublic Supplemental Instruction	Nonpublic Exam./ Classification	Nonpublic Corrective Speech		
REVENUES										
Intergovernmental										
State			\$ 68,887	\$ 24,299	\$ 15,300	\$ 30,839	\$ 15,489	\$ 26,063	\$ 145,896	\$ 326,773
Federal									853,923	853,923
Local Sources	\$ 16,000	\$ 12,978	-	-	-	-	-	-	-	28,978
Total Revenues	\$ 16,000	\$ 12,978	\$ 68,887	\$ 24,299	\$ 15,300	\$ 30,839	\$ 15,489	\$ 26,063	\$ 999,819	\$ 1,209,674
EXPENDITURES										
Instruction										
Salaries of Teachers		\$ 5,670					\$ 4,572		\$ 153,113	\$ 163,355
Purchased Professional & Technical Services			\$ 68,887	\$ 24,299		\$ 30,839		\$ 26,063	4,845	154,933
Other Purchased Services					\$ 15,300				366,944	382,244
General Supplies		6,006							127,571	133,577
Textbooks									36,204	36,204
Other Objects	-	302	-	-	-	-	-	-	-	302
Total Instruction	-	11,978	68,887	24,299	15,300	30,839	4,572	26,063	688,677	870,615
Support Services										
Salaries of Teachers							10,917		13,291	24,208
Salaries of Other Professional Staff									61,050	61,050
Personal Services Employee-Benefits									44,256	44,256
Purchased Professional & Technical Services									29,095	29,095
Other Purchased Services									96,688	96,688
Supplies and Materials		1,000							15,230	16,230
Other Objects									-	-
Indirect Costs	-	-	-	-	-	-	-	-	4,000	4,000
Total Support Services	-	1,000	-	-	-	-	10,917	-	263,610	275,527
Capital Outlay										
Instructional Equipment	-	-	-	-	-	-	-	-	16,548	16,548
Non - Instructional Equipment	16,000	-	-	-	-	-	-	-	30,984	46,984
Total Capital Outlay	16,000	-	-	-	-	-	-	-	47,532	63,532
Total Expenditures	\$ 16,000	\$ 12,978	\$ 68,887	\$ 24,299	\$ 15,300	\$ 30,839	\$ 15,489	\$ 26,063	\$ 999,819	\$ 1,209,674

(Continued)

**NEW MILFORD BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	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
REVENUES											
Intergovernmental											
State											
Federal	\$ 161,169	\$ 37,563	\$ 27,455	\$ 12,172	\$ 577,249	\$ 38,315	\$ 60,390	\$ 36,204	\$ 33,288	\$ 16,014	\$ 145,896
Local Sources	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 161,169</u>	<u>\$ 37,563</u>	<u>\$ 27,455</u>	<u>\$ 12,172</u>	<u>\$ 577,249</u>	<u>\$ 38,315</u>	<u>\$ 60,390</u>	<u>\$ 36,204</u>	<u>\$ 33,288</u>	<u>\$ 16,014</u>	<u>\$ 999,819</u>
EXPENDITURES											
Instruction											
Salaries of Teachers	\$ 121,178	\$ 960	\$ 6,025	\$ 3,370	\$ 21,580						\$ 153,113
Purchased Professional & Technical Services			4,845								4,845
Other Purchased Services			325		306,229		\$ 60,390				366,944
General Supplies	14,827		13,995	7,205	38,936	\$ 35,116		\$ 2,304	\$ 15,188		127,571
Textbooks								\$ 36,204			36,204
Other Objects	-	-	-	-	-	-	-	-	-	-	-
Total Instruction	<u>136,005</u>	<u>960</u>	<u>25,190</u>	<u>10,575</u>	<u>366,745</u>	<u>35,116</u>	<u>60,390</u>	<u>36,204</u>	<u>2,304</u>	<u>15,188</u>	<u>688,677</u>
Support Services											
Salaries of Teachers	5,197	6,997		271						826	13,291
Salaries of Other Professional Staff					61,050						61,050
Personal Services Employee-Benefits	19,681		1,670		22,905						44,256
Purchased Professional & Technical Services		28,500	595								29,095
Other Purchased Services				1,159	95,529						96,688
Supplies and Materials	286	1,106		167	13,671						15,230
Other Objects											-
Indirect Costs	-	-	-	-	4,000	-	-	-	-	-	4,000
Total Support Services	<u>25,164</u>	<u>36,603</u>	<u>2,265</u>	<u>1,597</u>	<u>197,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>826</u>	<u>263,610</u>
Capital Outlay											
Instructional Equipment	-	-	-	-	13,349	3,199	-	-	-	-	16,548
Non - Instructional Equipment	-	-	-	-	-	-	-	-	30,984	-	30,984
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,349</u>	<u>3,199</u>	<u>-</u>	<u>-</u>	<u>30,984</u>	<u>-</u>	<u>47,532</u>
Total Expenditures	<u>\$ 161,169</u>	<u>\$ 37,563</u>	<u>\$ 27,455</u>	<u>\$ 12,172</u>	<u>\$ 577,249</u>	<u>\$ 38,315</u>	<u>\$ 60,390</u>	<u>\$ 36,204</u>	<u>\$ 33,288</u>	<u>\$ 16,014</u>	<u>\$ 999,819</u>

**NEW MILFORD BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017

<u>Issue/ Project Title</u>	<u>Modified Appropriation</u>	<u>Expenditures to Date</u>		<u>Cancelled</u>	<u>Balance June 30,2017</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>-</u>
	<u>\$ 2,558,219</u>	<u>\$ 2,140,803</u>	<u>\$ -</u>	<u>\$ 417,416</u>	<u>\$ -</u>
Project Balance					<u>\$ -</u>
Fund Balance, GAAP Basis					<u>\$ -</u>
<u>Reconciliation of Fund Balance</u>					
Restricted					
Available for Capital Projects					<u>\$ -</u>
Total Fund Balance - Restricted for Capital Projects					<u>\$ -</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, 2017**

Expenditures and Other Financing Uses**Expenditures**

Transfer to General Fund - Return of Funds from Cancelled Appropriations	<u>\$ 417,416</u>
--	-------------------

Total Expenditures and Other Financing Uses	<u>417,416</u>
---	----------------

Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(417,416)
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Fund Balance, Beginning of Year	<u>417,416</u>
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Fund Balance, End of Year	<u>\$ -</u>
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Reconciliation to GAAP Basis:

Fund Balance (Budgetary Basis)	<u>\$ -</u>
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Fund Balance (GAAP Basis)	<u>\$ -</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, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 258,084		\$ 258,084	
Transfers from Capital Reserve	671,226	\$ (165,467)	505,759	-
	<u>929,310</u>	<u>(165,467)</u>	<u>763,843</u>	<u>-</u>
Expenditures and Other Financing Uses				
Legal Services	1,920		1,920	
Purchased Professional and Technical Services	87,094		87,094	
Construction Services	674,510		674,510	
Miscellaneous Purchased Services	319	-	319	-
	<u>763,843</u>	<u>-</u>	<u>763,843</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 165,467</u>	<u>\$ (165,467)</u>	<u>\$ -</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>(354,867)</u>
Revised Authorized Cost	\$ 763,843

Percentage Increase Over Original

Authorized Cost	-31.72%
Percentage Completion	100.00%
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, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 550,784		\$ 550,784	
Transfers from Capital Reserve	<u>1,078,125</u>	<u>\$ (251,949)</u>	<u>826,176</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>1,628,909</u>	<u>(251,949)</u>	<u>1,376,960</u>	<u>-</u>
Expenditures and Other Financing Uses				
Legal Services	1,345		1,345	
Purchased Professional and Technical Services	128,415		128,415	
Construction Services	1,247,080		1,247,080	
Miscellaneous Purchased Services	<u>120</u>	<u>-</u>	<u>120</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>1,376,960</u>	<u>-</u>	<u>1,376,960</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 251,949</u>	<u>\$ (251,949)</u>	<u>\$ -</u>	<u>-</u>
Additional Project Information:				
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>(419,915)</u>			
Revised Authorized Cost	\$ 1,376,960			
Percentage Increase Over Original Authorized Cost	-23.37%			
Percentage Completion	100.00%			
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, 2017**

	<u>Non-Major Enterprise Funds</u>		
	<u>Broadway Kids Summer Program</u>	<u>After School Enrichment Program</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 20,147	\$ 27,114	\$ 47,261
Total Assets	<u>20,147</u>	<u>27,114</u>	<u>47,261</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	485	77	562
Unearned Revenue	<u>16,328</u>	<u>-</u>	<u>16,328</u>
Total Current Liabilities	<u>16,813</u>	<u>77</u>	<u>16,890</u>
NET POSITION			
Unrestricted	<u>3,334</u>	<u>27,037</u>	<u>30,371</u>
Total Net Position	<u>\$ 3,334</u>	<u>\$ 27,037</u>	<u>\$ 30,371</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, 2017**

	<u>Non-Major Enterprise Funds</u>		
	<u>Broadway Kids Summer Program</u>	<u>After School Enrichment Program</u>	<u>Total</u>
OPERATING REVENUES			
Charges for Services Program Fees	\$ 20,343	\$ 13,545	\$ 33,888
	<u>20,343</u>	<u>13,545</u>	<u>33,888</u>
Total Operating Revenues			
OPERATING EXPENSES			
Salaries and Employee Benefits	16,401	9,640	26,041
Other Purchased Services	350		350
Supplies and Materials	<u>2,430</u>	<u>1,107</u>	<u>3,537</u>
Total Operating Expenses	<u>19,181</u>	<u>10,747</u>	<u>29,928</u>
Operating Income	<u>1,162</u>	<u>2,798</u>	<u>3,960</u>
NONOPERATING REVENUES			
Interest	<u>44</u>	<u>116</u>	<u>160</u>
Total Nonoperating Revenue	<u>44</u>	<u>116</u>	<u>160</u>
Change in Net Position Before Transfers	<u>1,206</u>	<u>2,914</u>	<u>4,120</u>
Transfers Out	<u>(42)</u>	<u>(114)</u>	<u>(156)</u>
Change in Net Position	1,164	2,800	3,964
Total Net Position, Beginning of Year	<u>2,170</u>	<u>24,237</u>	<u>26,407</u>
Total Net Position, End of Year	<u>\$ 3,334</u>	<u>\$ 27,037</u>	<u>\$ 30,371</u>

**NEW MILFORD BOARD OF EDUCATION
ENTERPRISE FUND - NON-MAJOR
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Non-Major Enterprise Funds</u>		
	<u>Broadway Kids Summer Program</u>	<u>After School Enrichment Program</u>	<u>Total</u>
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 30,651	\$ 13,545	\$ 44,196
Cash Payments for Employees Salaries & Benefits	(16,401)	(9,640)	(26,041)
Cash Payments to Suppliers for Goods and Services	(2,295)	(1,272)	(3,567)
Net Cash Provided by Operating Activities	<u>11,955</u>	<u>2,633</u>	<u>14,588</u>
Cash Flows from Noncapital Financing Activities			
Cash Payments to Other Funds	(42)	(114)	(156)
Net Cash Used by Noncapital Financing Activities	<u>(42)</u>	<u>(114)</u>	<u>(156)</u>
Cash Flows from Investing Activities			
Interest on Investments	44	116	160
Net Cash Provided by Investing Activities	<u>44</u>	<u>116</u>	<u>160</u>
Net Increase in Cash and Cash Equivalents	11,957	2,635	14,592
Cash and Cash Equivalents, Beginning of Year	8,190	24,479	32,669
Cash and Cash Equivalents, End of Year	<u>\$ 20,147</u>	<u>\$ 27,114</u>	<u>\$ 47,261</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	\$ 1,162	\$ 2,798	\$ 3,960
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Increase/(Decrease) in Accounts Payable	485	(165)	320
Increase/(Decrease) in Unearned Revenue	10,308	-	10,308
Total Adjustments	<u>10,793</u>	<u>(165)</u>	<u>10,628</u>
Net Cash Provided by Operating Activities	<u>\$ 11,955</u>	<u>\$ 2,633</u>	<u>\$ 14,588</u>

FIDUCIARY FUNDS

**NEW MILFORD BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
AS OF JUNE 30, 2017**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 197,931	\$ 371,246	\$ 569,177
Total Assets	<u>\$ 197,931</u>	<u>\$ 371,246</u>	<u>\$ 569,177</u>
LIABILITIES			
Employee Deposits Payable		\$ 370,948	\$ 370,948
Payroll Deductions and Withholdings		237	237
Due to Other Fund		61	61
Due to Student Groups	\$ 197,931	-	197,931
Total Liabilities	<u>\$ 197,931</u>	<u>\$ 371,246</u>	<u>\$ 569,177</u>

**NEW MILFORD BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017**

	Balance, July 1, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, June 30, <u>2017</u>
GIBBS SCHOOL	\$ 19,351	\$ 2,812	\$ 103	\$ 22,060
BERKLEY SCHOOL	17,813	6,670	6,138	18,345
FIELD TRIPS	29		29	-
MIDDLE SCHOOL	32,059	82,012	80,921	33,150
HIGH SCHOOL				
Activity Account	87,032	269,986	250,703	106,315
Athletic Account	<u>17,842</u>	<u>44,818</u>	<u>44,599</u>	<u>18,061</u>
 Total All Schools	 <u>\$ 174,126</u>	 <u>\$ 406,298</u>	 <u>\$ 382,493</u>	 <u>\$ 197,931</u>

**NEW MILFORD BOARD OF EDUCATION
FIDUCIARY FUNDS
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Balance, July 1, <u>2016</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance, June 30, <u>2017</u>
ASSETS				
Cash	\$ 361,076	\$ 23,438,337	\$ 23,428,167	\$ 371,246
Total Assets	<u>\$ 361,076</u>	<u>\$ 23,438,337</u>	<u>\$ 23,428,167</u>	<u>\$ 371,246</u>
LIABILITIES				
Employee Deposits Payable	\$ 360,740	\$ 371,156	\$ 360,948	\$ 370,948
Accrued Salaries and Wages		12,961,471	12,961,471	
Payroll Deductions and Withholdings	230	10,104,613	10,104,606	237
Due to Other Funds	<u>106</u>	<u>1,097</u>	<u>1,142</u>	<u>61</u>
Total Liabilities	<u>\$ 361,076</u>	<u>\$ 23,438,337</u>	<u>\$ 23,428,167</u>	<u>\$ 371,246</u>

LONG-TERM DEBT

EXHIBIT I-1

NEW MILFORD BOARD OF EDUCATION
 LONG-TERM DEBT
 SCHEDULE OF BONDS PAYABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<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, 2016</u>	<u>Decreased</u>	<u>Balance, June 30, 2017</u>
			<u>Date</u>	<u>Amount</u>				
Refunding Bonds	4/15/2009	\$ 4,515,000	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%	\$ 2,165,000	\$ 440,000	\$ 1,725,000
						<u>\$ 2,165,000</u>	<u>\$ 440,000</u>	<u>\$ 1,725,000</u>
							<u>\$ 440,000</u>	

Paid by Budget Appropriation

**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, 2017**

<u>Capital Leases</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2017</u>
2015 Phone Equipment Lease	2.58%	\$ 349,676	\$ 116,783		\$ 116,783	-
2015 54 Passenger School Bus	2.38%	97,365	63,458		20,657	\$ 42,801
Kubota Backhoe Loader	0.00%	49,911	41,489		6,618	34,871
2016 31 Passenger School Bus	2.30%	50,487	30,708	-	10,004	20,704
2017 49 Passenger School Bus	2.20%	100,293		\$ 100,293	20,943	79,350
2017 Acquisition of Office Furniture and Equipment	0.00%	70,512	-	70,512	10,000	60,512
2017 Server Acquisition	0.35%	104,351	-	104,351	36,596	67,755
Total Capital Leases			<u>\$ 252,438</u>	<u>\$ 275,156</u>	<u>\$ 221,601</u>	<u>\$ 305,993</u>
			Paid by Budget Appropriation		<u>\$ 221,601</u>	
<u>Lease Purchase Agreements</u>						
Purchase of Chromebook Laptops and Supplies	5.61%	158,750	<u>\$ 52,863</u>	<u>\$ -</u>	<u>\$ 52,863</u>	<u>\$ -</u>
Total Lease Purchase Agreements			<u>\$ 52,863</u>	<u>\$ -</u>	<u>\$ 52,863</u>	<u>\$ -</u>
			Paid by Budget Appropriation		<u>\$ 52,863</u>	

**NEW MILFORD BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Local Sources					
Property Taxes	\$ 517,800	-	\$ 517,800	\$ 517,800	\$ -
Total Revenues	<u>517,800</u>	<u>-</u>	<u>517,800</u>	<u>517,800</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	440,000		440,000	440,000	
Interest on Bonds	<u>77,800</u>	<u>-</u>	<u>77,800</u>	<u>77,800</u>	<u>-</u>
Total Expenditures	<u>517,800</u>	<u>-</u>	<u>517,800</u>	<u>517,800</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)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011 (Restated)	2012 (Restated)	2013	2014 (Restated)	2015	2016 (Restated)	2017
Governmental Activities										
Net Investment in Capital Assets	\$ 15,173,707	\$ 15,904,051	\$ 16,637,735	\$ 16,835,791	\$ 17,328,221	\$ 17,617,446	\$ 17,962,388	\$ 20,009,921	\$ 18,664,347	\$ 19,259,075
Restricted	776,832	676,420	1,003,566	1,612,894	1,591,439	1,807,108	2,070,989	852,217	547,609	405,594
Unrestricted	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)	(8,603,737)
Total Governmental Activities Net Position	\$ 16,974,737	\$ 17,240,847	\$ 17,953,565	\$ 19,597,851	\$ 20,914,076	\$ 21,936,890	\$ 13,433,098	\$ 13,748,303	\$ 12,100,906	\$ 11,060,932
Business-Type Activities										
Net Investment in Capital Assets		\$ 100,010	\$ 98,757	\$ 91,207	\$ 83,657	\$ 89,469	\$ 86,190	\$ 87,431	\$ 73,037	\$ 114,265
Restricted										
Unrestricted	\$ 353,580	304,597	324,040	410,103	463,927	499,795	570,601	568,752	536,454	464,276
Total Business-Type Activities Net Position	\$ 353,580	\$ 404,607	\$ 422,797	\$ 501,310	\$ 547,584	\$ 589,264	\$ 656,791	\$ 656,183	\$ 609,491	\$ 578,541
District-Wide										
Net Investment in Capital Assets	\$ 15,173,707	\$ 16,004,061	\$ 16,736,492	\$ 16,926,998	\$ 17,411,878	\$ 17,706,915	\$ 18,048,578	\$ 20,097,352	\$ 18,737,384	\$ 19,373,340
Restricted	776,832	676,420	1,003,566	1,612,894	1,591,439	1,807,108	2,070,989	852,217	547,609	405,594
Unrestricted	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)	(8,139,461)
Total District Net Position	\$ 17,328,317	\$ 17,645,454	\$ 18,376,362	\$ 20,099,161	\$ 21,461,660	\$ 22,526,154	\$ 14,089,889	\$ 14,404,486	\$ 12,710,397	\$ 11,639,473

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 Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 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	\$ 17,780,774
Special Education	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	7,991,141
Other Instruction	347,005	342,508	293,040	306,805	409,371	292,546	417,445	504,294	580,206	703,985
School Sponsored Activities and Athletics	745,705	770,039	804,498	778,712	865,317	1,024,342	991,372	1,090,855	1,197,498	1,441,874
Community Services										
Support Services:										
Student & Instruction Related Services	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	6,835,530
General Administration Services	908,734	892,531	703,105	824,124	853,216	881,409	871,600	1,240,434	987,168	1,103,769
School Administrative Services	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	3,700,220
Central and Other Support Services	885,760	857,042	776,411	840,299	927,914	1,065,034	1,122,455	1,142,404	1,119,086	1,264,781
Plant Operations and Maintenance	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	5,055,523
Pupil Transportation	893,246	866,951	844,057	865,280	907,675	977,399	1,001,579	1,028,715	1,174,887	1,223,166
Interest On Long-Term Debt	251,699	177,530	176,275	158,376	145,533	129,936	112,175	98,437	84,856	68,297
Total Governmental Activities Expenses	30,028,349	29,864,983	31,634,318	30,765,528	32,010,853	33,851,145	35,113,563	40,549,808	42,067,053	47,169,060
Business-Type Activities:										
Food Service	675,807	657,634	676,803	640,819	645,761	658,157	667,601	688,173	758,581	753,051
Knight Care Latch Key Program	263,256	260,333	272,386	286,257	301,876	348,778	382,395	404,012	470,431	440,947
Broadway Kids Summer Enrichment Program				6,685	11,472	14,982	18,795	18,407	17,080	19,181
After School Enrichment Program				-	14,445	5,718	17,588	13,062	6,181	10,747
Total Business-Type Activities Expense	939,063	917,967	949,189	933,761	973,554	1,027,635	1,086,379	1,123,654	1,252,273	1,223,926
Total District Expenses	\$ 30,967,412	\$ 30,782,950	\$ 32,583,507	\$ 31,699,289	\$ 32,984,407	\$ 34,878,780	\$ 36,199,942	\$ 41,673,462	\$ 43,319,326	\$ 48,392,986
Program Revenues										
Governmental Activities:										
Charges For Services:										
Special Education	\$ 4,056		\$ 67,608	\$ 1,400	\$ 95,327	\$ 96,987	\$ 175,006	\$ 348,161	\$ 396,222	\$ 460,111
Pupil Transportation	12,376	\$ 14,718	6,726	14,103	11,430	22,681	23,837	31,003	14,005	50,308
Operating Grants And Contributions	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	13,123,587
Capital Grants And Contributions	131,690	25,315	259,062	80,991		7,952	77,215	798,271	-	63,532
Total Governmental Activities Program Revenues	6,531,945	4,760,994	5,736,214	4,697,637	5,097,410	5,930,083	5,682,900	10,474,814	10,677,884	13,697,538
Business-Type Activities:										
Charges For Services										
Food Service	542,076	540,285	537,720	542,826	516,655	512,723	549,519	548,960	611,632	605,142
Knight Care Latch Key Program	337,000	316,404	300,427	317,699	318,530	358,421	377,202	368,789	369,270	348,163
Broadway Kids Summer Enrichment					12,525	15,790	17,952	17,799	18,875	20,343
After School Enrichment				6,640	18,010	9,030	24,240	15,400	9,770	13,545
Operating Grants And Contributions	111,241	111,575	128,535	144,535	148,648	172,751	184,209	171,149	194,753	204,233
Capital Grants And Contributions					-					
Total Business Type Activities Program Revenues	990,317	968,264	966,682	1,011,700	1,014,368	1,068,715	1,153,122	1,122,097	1,204,300	1,191,426
Total District Program Revenues	\$ 7,522,262	\$ 5,729,258	\$ 6,702,896	\$ 5,709,337	\$ 6,111,778	\$ 6,998,798	\$ 6,836,022	\$ 11,596,911	\$ 11,882,184	\$ 14,888,964
Net (Expense)/Revenue										
Governmental Activities	\$ (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)	\$ (33,471,522)
Business-Type Activities	51,254	50,297	17,493	77,939	40,814	41,080	66,743	(1,557)	(47,973)	(32,500)
Total District-Wide Net Expense	\$ (23,445,150)	\$ (25,053,692)	\$ (25,880,611)	\$ (25,989,952)	\$ (26,872,629)	\$ (27,879,982)	\$ (29,363,920)	\$ (30,076,551)	\$ (31,437,142)	\$ (33,504,022)

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

	2008		2009		2010		2011		Fiscal Year Ended June 30,		2014		2015		2016		2017			
									2012	2013										
General Revenues And Other Changes In Net Position																				
Governmental Activities:																				
Property Taxes Levied For General Purposes	\$	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	\$	31,437,772
Property Taxes Levied For Debt Service		541,150		542,538		543,250		520,050		488,862		521,650		524,500		523,725		530,300		517,800
State Aid, Unrestricted		325,129		537,960		328,720		21,712		238,062		340,942		323,248		363,388		365,248		370,650
Investment Earnings		138,346		49,482		31,999		33,424		14,749		17,419		18,622		20,577		21,585		23,979
Miscellaneous Income		22,873		206,381		141,219		282,365		69,196		91,839		194,654		70,280		67,882		79,866
Transfers										(4,756)								1,969		1,481
Total Governmental Activities		24,070,489		25,370,099		26,610,822		27,769,774		28,229,668		28,943,876		29,641,641		30,390,199		31,544,420		32,431,548
Business-Type Activities:																				
Investment Earnings	\$	3,202	\$	730	\$	697	\$	574	\$	704	\$	600	\$	784	\$	949	\$	3,250	\$	3,031
Transfers		-		-		-		-		4,756								(1,969)		(1,481)
Total Business-Type Activities		3,202		730		697		574		5,460		600		784		949		1,281		1,550
Total District-Wide	\$	24,073,691	\$	25,370,829	\$	26,611,519	\$	27,770,348	\$	28,235,128	\$	28,944,476	\$	29,642,425	\$	30,391,148	\$	31,545,701	\$	32,433,098
Change In Net Position																				
Governmental Activities	\$	574,085	\$	266,110	\$	712,718	\$	1,701,883	\$	1,316,225	\$	1,022,814	\$	210,978	\$	315,205	\$	155,251	\$	(1,039,974)
Business-Type Activities		54,456		51,027		18,190		78,513		46,274		41,680		67,527		(608)		(46,692)		(30,950)
Total District	\$	628,541	\$	317,137	\$	730,908	\$	1,780,396	\$	1,362,499	\$	1,064,494	\$	278,505	\$	314,597	\$	108,559	\$	(1,070,924)

Source: District's financial statements

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

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,209,350	\$ 601,835	\$ 1,488,108							
Unreserved	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	\$ 2,424,438
Committed				327,900	27,500	305,410	29,350			
Assigned				267,173	323,683	440,610	408,683	164,812	250,606	122,209
Unassigned				203,491	104,153	73,923	69,119	112,083	114,367	145,093
Total General Fund	\$ 2,021,973	\$ 1,175,782	\$ 1,570,533	\$ 2,983,272	\$ 3,868,897	\$ 4,760,994	\$ 4,672,506	\$ 2,682,838	\$ 2,779,824	\$ 2,721,090
All Other Governmental Funds										
Reserved	\$ 5,565	\$ 746,473								
Unreserved	3,112	(262,205)	\$ 82,899							
Restricted				\$ 85,122	\$ 52,834	\$ 5,650	\$ 5,650	\$ 464,869	\$ 417,416	
Unassigned							(101,785)	-	-	-
Total All Other Governmental Funds	\$ 8,677	\$ 484,268	\$ 82,899	\$ 85,122	\$ 52,834	\$ 5,650	\$ (96,135)	\$ 464,869	\$ 417,416	\$ -

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 Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Property Tax Levy	\$ 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	\$ 31,955,572
Tuition Charges	4,056		67,608	1,400	95,327	96,987	175,006	348,161	396,222	460,111
Transportation Fees	12,376	14,718	6,726	14,103	11,430	22,681	23,837	31,003	14,005	50,308
Interest Earnings	138,346	49,482	31,999	33,424	14,749	17,419	18,622	20,577	21,585	23,979
Miscellaneous	50,071	213,206	148,719	289,865	76,896	100,190	203,154	93,272	99,518	107,768
State Sources	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	6,318,996
Federal Sources	1,209,309	876,703	1,145,800	996,985	772,989	765,804	776,445	723,262	806,205	859,521
Total Revenue	30,470,744	30,131,093	32,334,391	32,433,651	33,331,834	34,866,007	35,315,183	37,344,154	38,355,258	39,776,255
Expenditures										
Instruction										
Regular Instruction	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	14,271,922
Special Education Instruction	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	6,901,456
Other Instruction	347,005	342,508	293,040	306,805	409,371	292,546	417,445	437,067	521,826	560,710
School Sponsored Activities And Athletics	743,463	767,565	801,972	776,169	862,816	1,021,726	988,729	1,072,133	1,134,459	1,185,135
Community Services										
Support Services:										
Student & Inst. Related Services	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	5,728,139
General Administration	908,307	862,727	728,804	815,071	832,704	881,326	885,530	1,153,479	928,460	972,996
School Administrative Services	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	2,951,974
Central and Other Support Services	883,689	816,963	724,482	803,498	885,538	1,007,401	1,092,851	1,052,279	1,003,752	1,023,690
Plant Operations And Maintenance	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	4,064,948
Pupil Transportation	854,025	838,796	815,313	809,375	883,696	947,630	971,494	968,408	1,114,732	1,113,337
Capital Outlay	695,888	723,958	757,372	346,411	732,731	404,726	611,389	2,613,175	527,431	954,241
Debt Service:										
Principal	390,970	441,856	488,564	404,707	408,033	422,044	409,400	635,057	656,547	714,464
Interest And Other Charges	258,369	240,896	155,297	185,142	168,632	155,121	136,178	116,260	110,588	86,030
Payment to Escrow Agent		108,614								
Cost of Issuance		89,348								
Total Expenditures	30,658,240	30,699,655	32,341,009	31,018,689	32,573,536	34,021,094	35,505,456	39,489,084	38,307,694	40,529,042
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(187,496)	(568,562)	(6,618)	1,414,962	758,298	844,913	(190,273)	(2,144,930)	47,564	(752,787)
Other Financing Sources (Uses)										
Capital Leases & Lease Purchase Agreements	160,000				99,795			716,266		
Refunding Bond Proceeds		4,515,000								275,156
Premium on Refunding Bonds		282,962								
Payments To Escrow Agent		(4,600,000)								
Transfers In	753	517,567	4,925	48	14	52,834	-	1,750,042	1,969	418,897
Transfers Out	(753)	(517,567)	(4,925)	(48)	(4,770)	(52,834)	-	(1,750,042)	-	(417,416)
Total Other Financing Sources (Uses)	160,000	197,962	-	-	95,039	-	-	716,266	1,969	276,637
Net Change In Fund Balances	\$ (27,496)	\$ (370,600)	\$ (6,618)	\$ 1,414,962	\$ 853,337	\$ 844,913	\$ (190,273)	\$ (1,428,664)	\$ 49,533	\$ (476,150)
Debt Service As A Percentage Of Noncapital Expenditures	2.17%	2.28%	2.04%	1.92%	1.81%	1.72%	1.56%	2.04%	2.03%	2.02%

* 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>
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
2017	460,111	23,979	7,800		50,308				29,725		-	42,341	614,264

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 ^a
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
2017	2,682,100	1,361,616,100	-	-	79,246,000	3,292,300	134,120,700	1,580,957,200	989,486	1,581,946,686	1,831,663,912	2.049

Source: County Abstract of Ratables

^a 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	
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
2017	2.049	1.035	0.296	3.380

Source: Tax Duplicate, Borough of New Milford

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

Taxpayer	2017		2008	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Bal Bay Realty, LTD	\$ 43,586,400	2.76%	\$ 42,157,500	2.15%
Individual Taxpayer	36,733,400	2.32%	33,940,700	1.73%
NM Village LLC% Affiliated Mgmt Inc	28,958,500	1.83%	24,000,000	1.22%
Dorchester Manor	13,607,000	0.86%	15,209,900	0.77%
New Meditrust Co LLC % Woodcrest Hcc	13,130,200	0.83%	14,250,400	0.73%
730 River Rd Prop c/o Curtis Corp	3,100,000	0.20%		0.00%
Milford Arms	8,366,400	0.53%	9,822,100	0.50%
Inserra Associates	5,262,600	0.33%	6,659,600	0.34%
Brookchester Shopping Center	5,624,800	0.36%	5,895,600	0.30%
Canterbury Village		0.00%	4,738,600	0.24%
Hackensack Water Company			2,504,100	0.13%
Lucerne-New Milford LLC	3,349,100	0.21%	3,276,000	0.17%
Total	\$ 161,718,400	10.22%	\$ 162,454,500	8.27%

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		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 23,584,141	\$ 23,584,141	100.00%	-
2009	24,576,276	24,576,276	100.00%	-
2010	26,108,884	26,108,884	100.00%	-
2011	27,432,273	27,432,273	100.00%	-
2012	27,912,417	27,912,417	100.00%	-
2013	28,493,676	28,493,676	100.00%	-
2014	29,105,117	29,105,117	100.00%	-
2015	29,935,954	29,935,954	100.00%	-
2016	31,087,736	31,087,736	100.00%	-
2017	31,955,572	31,955,572	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 Obligation Bonds	Capital Leases	Lease Purchase Agreements			
2008	\$ 5,235,000	\$ 380,255		\$ 5,615,255	15,872	\$ 354
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	16,369	256
2012	3,775,000	111,890		3,886,890	16,478	236
2013	3,405,000	59,846		3,464,846	16,554	209
2014	3,015,000	40,446		3,055,446	16,628	184
2015	2,600,000	423,931	\$ 102,917	3,126,848	16,672	188
2016	2,165,000	252,438	52,863	2,470,301	16,758	147
2017	1,725,000	305,993		2,030,993	16,759	121

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		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	Obligation Bonds	Deductions			
2008	\$ 5,235,000	-	\$ 5,235,000	0.27%	\$ 330
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
2017	1,725,000	-	1,725,000	0.11%	103

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, 2016
(Unaudited)**

<u>Governmental Unit</u>	<u>Total Debt</u>
Municipal Debt: (1)	
New Milford Board of Education (June 30, 2017)	\$ 1,725,000
Borough of New Milford	17,826,410
Overlapping Debt Apportioned to the Municipality	
Bergen County: (2) and (3)	
County of Bergen (A)	13,167,977
Bergen County Utilities Authority - Waste Water (B)	<u>3,542,366</u>
Total direct and overlapping debt	<u><u>\$ 36,261,753</u></u>

- (A) The debt for this entity was apportioned by dividing the Municipality's 2016 equalized value by the total 2016 equalized value for Bergen County
- (B) Overlapping Debt was computed based upon municipal flow to the Authority

Sources:

- (1) Borough of New Milford 2016 Annual Debt Statement
- (2) BCUA 2016 Audit
- (3) Bergen County 2016 Annual Debt Statement

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

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized valuation basis
	2014 1,776,333,484
	2015 1,821,502,205
	2016 1,825,114,940
	<u>\$ 5,422,950,629</u>
	<u>\$ 1,807,650,209.67</u>
Debt limit (4 % of average equalization value)	\$ 72,306,008
Total Net Debt Applicable to Limit	<u>1,725,000</u>
Legal debt margin	<u>\$ 70,581,008</u>

	Fiscal Year									
	<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>	<u>2017</u>
Debt limit	\$ 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	\$ 72,306,008
Total net debt applicable to limit	<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>	<u>1,725,000</u>
Legal debt margin	<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>	<u>\$ 70,581,008</u>
Total net debt applicable to the limit as a percentage of debt limit	6.57%	5.76%	5.32%	5.03%	4.76%	4.46%	4.12%	3.66%	3.04%	2.39%

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)**

Year Ended December 31,	Population	County Per Capita Personal Income	Unemployment Rate
2008	15,872	\$ 63,585	4.5%
2009	15,885	67,722	8.0%
2010	15,949	68,124	8.2%
2011	16,369	65,097	8.10%
2012	16,478	66,073	8.20%
2013	16,554	69,021	6.10%
2014	16,628	71,929	6.80%
2015	16,672	71,388	4.40%
2016	16,758	73,424	4.20%
2017	16,759	75,849	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	2017		2008	
	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>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>	<u>2017</u>
Instruction										
Regular	125	123	126	113	120	122	125	123.5	128.8	128.8
Special education	33	35	19	21	22	23	23	22.5	26.4	27.7
Other instruction	21	21	32	36	42	49	55	52.2	65.6	73.4
Support Services:										
Tuition										
Student & instruction related services	32	32	31	26	37	37	29	29.6	37.7	39.0
General administrative services	4	4	5	4	4	4	4	4.4	5.4	6.4
School administrative services	16	16	24	20	17	16	20	23.5	19.7	22.1
Business administrative services	6	6	7	6	8	9	9	9.0	9.0	9.0
Plant operations and maintenance	35	35	35	32	32	26	30	30.5	33.3	19.6
Pupil transportation	6	6	8	9	6	6	8	7.1	7.3	10.6
Child Care	19	19	22	23	21	24	32	33.0	46.0	30.0
Total	<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>	<u>366.6</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	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Senior High School				
2008	2,025	\$ 29,313,013	\$ 14,476	0.37%	196	23:01	19:01	2,021	1,936	0.40%	95.79%
2009	2,122	29,094,983	13,711	-5.28%	184	21:01	19:01	1,979	1,910	-2.08%	96.51%
2010	2,101	30,939,776	14,726	7.40%	177	24:01	23:01	2,129	2,052	7.58%	96.38%
2011	2,131	30,082,429	14,117	-4.14%	170	24:01	20:01	2,131	2,058	0.09%	96.57%
2012	2,048	31,264,140	15,266	8.14%	184	22:01	20:01	2,048	1,990	-3.89%	97.17%
2013	2,066	33,039,203	15,992	13.28%	194	21:01	20:01	2,066	2,000	-3.05%	96.81%
2014	2,034	34,348,489	16,887	10.62%	148	19:01	17:01	2,014	1,954	-1.66%	97.02%
2015	1,998	36,124,592	18,080	13.06%	146	18:01	17:01	1,979	1,919	-4.21%	96.97%
2016	2,000	37,013,128	18,507	9.59%	155	18:01	19:01	1,997	1,937	-0.84%	97.00%
2017	1,997	38,774,307	19,416	7.39%	157	19:01	18:01	1,962	1,898	-0.86%	96.74%

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>District Building</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>	<u>2017</u>
<u>Elementary</u>										
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	383	414	413	413	419	457	459	453	436	424
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	515	511	524	524	499	479	449	456	474	465
<u>Middle School</u>										
David E. Owens Middle School										
Square Feet	80,193	80,193	80,193	80,196	80,193	80,193	80,193	80,193	80,193	80,193
Capacity (students)	496	496	496	496	496	496	496	496	496	496
Enrollment	503	498	498	501	503	487	481	445	453	449
<u>High School</u>										
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	620	693	691	691	647	643	645	631	648	618

Number of Schools at June 30, 2017

 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>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>	<u>2017</u>
Berkley Street Elementary	N/A	\$ 69,652	\$ 83,116	\$ 73,614	\$ 92,398	\$ 108,437	\$ 95,915	\$ 133,231	\$ 100,020	\$ 109,200	\$ 42,929
B. F. Gibbs Elementary	N/A	62,489	78,244	63,672	62,814	77,706	57,800	98,284	87,155	98,936	94,738
David E. Owens Middle School	N/A	152,141	121,088	163,587	168,070	142,070	99,039	233,322	174,255	266,628	222,760
New Milford High School	N/A	<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>	<u>252,546</u>
Total School Facilities		<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>	<u>\$ 612,973</u>

**NEW MILFORD BOARD OF EDUCATION
INSURANCE SCHEDULE
AS OF JUNE 30, 2017
(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, PSA

**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, 2017 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, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the New Milford Board 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.

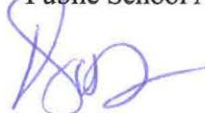
However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the New Milford Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated November 30, 2017.

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.



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, 2017



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
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MARK SACO, CPA
SHERYL M. NICOLOSI, CPA, PSA

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE AS
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 the New Milford Board of Education's major federal and state programs for the fiscal year ended June 30, 2017. 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 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, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08 and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. 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 finding 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

The New Milford Board of Education's response to the internal control over compliance 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.

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 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

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, 2017 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, 2017, 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

[Signature]

Donna L. Japhet
Public School Accountant
PSA Number CS002314

Fair Lawn, New Jersey
November 30, 2017

NEW MILFORD BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Project Period	Award Amount	Balance, June 30, 2016	Unearned Revenue Carryover Amount	Account Receivable Carryover Amount	Cash Received	Budgetary Expenditures	Funds Released		Balance, June 30, 2017		Due to Grantor	Memo GAAP Receivable
										Cancelled Accounts Receivable	Cancelled Unearned Revenue	(Accounts Receivable)	Unearned Revenue/		
U.S. Department of Agriculture															
Passed-Through State Department of Education:															
National School Lunch Program	10,555														
Non-Cash Assistance		17161NJ304N1099	7/1/16-6/30/17	\$ 49,027			\$ 49,027	\$ 49,027							
Non-Cash Assistance		16161NJ304N1099	7/1/15-6/30/16	43,115	\$ 1,446			1,446							
Cash Assistance		17161NJ304N1099	7/1/16-6/30/17	147,668			137,019	147,668			\$ (10,649)			\$ (10,649)	
Cash Assistance		16161NJ304N1099	7/1/15-6/30/16	146,744	(28,198)		28,198								
National School Breakfast Program	10,553	17161NJ304N1099	7/1/16-6/30/17	518			490	518			(28)			(28)	
National School Breakfast Program	10,553	16161NJ304N1099	7/1/15-6/30/16	443	(84)		84								
Total Child Nutrition Cluster / Enterprise Fund					(26,836)		214,818	198,659			(10,677)			(10,677)	
U.S. Department of Education															
Passed-Through State Department of Education:															
General Fund															
Medical Assistance Program	93,778	1705NJSMAP	7/1/16-6/30/17	6,237	-	-	6,237	6,237							
Total General Fund					-	-	6,237	6,237							
Special Revenue Fund															
Title I	84,010A	S010A160030	7/1/16-6/30/17	155,170	\$ 13,426	\$ (13,426)	128,477	161,169			(40,119)	\$ 7,427		(32,692)	
Title I	84,010A	S010A150030	7/1/15-6/30/16	167,736	(50,840)	(13,426)	13,426	50,840							
Title II - Part A	84,367A	S367A160029	7/1/16-6/30/17	30,786		10,180	(10,180)	8,322	37,563	\$ 419	\$ (419)	(32,225)	2,984	(29,241)	
Title II - Part A	84,367A	S367A150029	7/1/15-6/30/16	34,136	(4,680)	(10,180)	10,180	4,680							
Title III	84,365A	S365A160030	7/1/16-6/30/17	25,861		6,321	(6,321)	18,418	27,455		(13,764)	4,727		(9,037)	
Title III	84,365A	S365A150030	7/1/15-6/30/16	25,195	(5,559)	(6,321)	6,321	5,559							
Title III Immigrant	84,365A	S365A160030	7/1/16-6/30/17	6,341		7,138	(7,138)	8,334	12,172		(5,145)	1,307		(3,838)	
Title III Immigrant	84,365A	S365A150030	7/1/15-6/30/16	17,304	(13,185)	(7,138)	7,138	13,185							
I.D.E.A. Part B, Basic	84,027A	H027A160100	7/1/16-6/30/17	538,934		49,738	(49,738)	524,165	577,249		(64,507)	11,423		(53,084)	
I.D.E.A. Part B, Basic	84,027A	H027A150100	7/1/15-6/30/16	557,423	(208,464)	(49,738)	49,738	208,464							
I.D.E.A. Preschool	84,173A	H173A160114	7/1/16-6/30/17	26,233		25,940	(25,940)	32,293	38,315		(19,880)	13,858		(6,022)	
I.D.E.A. Preschool	84,173A	H173A150114	7/1/15-6/30/16	25,940	(289)	(25,940)	25,940	289							
Total Special Education Cluster IDEA					(208,753)		765,211	615,564			(84,387)	25,281		(59,106)	
Total Special Revenue Fund					(283,017)		1,003,026	853,923	419	(419)	(175,640)	41,726		(133,914)	
Total Federal Awards					\$ (309,853)	\$ -	\$ 1,224,081	\$ 1,058,819	\$ 419	\$ (419)	\$ (186,317)	\$ 41,726	\$ -	\$ (144,591)	

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, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2016		Cash Received	Budgetary Expenditures	Adjustment- Prior Year Payable Cancelled	Repayment of Prior Years' Balances	(Accounts Receivable)	June 30, 2017		MEMO	
				Unearned Revenue/ (Accts Rec.)	Due to Grantor						Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
State Department of Education														
Equalization Aid	17-495-034-5120-078	7/1/16 - 6/30/17	\$ 312,017			\$ 287,329	\$ 312,017			\$ (24,688)			\$	312,017
Equalization Aid	16-495-034-5120-078	7/1/15 - 6/30/16	323,334	(24,906)		24,906				-				-
Special Education Aid	17-495-034-5120-089	7/1/16 - 6/30/17	1,294,330			1,191,919	1,294,330			(102,411)				1,294,330
Special Education Aid	16-495-034-5120-089	7/1/15 - 6/30/16	1,292,035	(99,524)		99,524				-				-
Security Aid	17-495-034-5120-084	7/1/16 - 6/30/17	47,564			43,801	47,564			(3,763)				47,564
Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	41,569	(3,202)		3,202				-				-
PARCC Readiness Aid	17-495-034-5120-098	7/1/16 - 6/30/17	20,170			18,574	20,170			(1,596)				20,170
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	20,170	(1,554)		1,554				-				-
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16 - 6/30/17	20,170			18,574	20,170			(1,596)				20,170
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15 - 6/30/16	20,170	(1,554)		1,554				-				-
Professional Learning Community Aid	17-495-034-5120-101	7/1/16 - 6/30/17	19,720			18,160	19,720			(1,560)				19,720
Subtotal State Aid Public Cluster				(130,740)		1,709,097	1,713,971			(135,614)				1,713,971
Transportation Aid	17-495-034-5120-014	7/1/16 - 6/30/17	82,397			75,878	82,397			(6,519)				82,397
Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	71,767	(5,527)		5,527				-				-
Non-Public Transportation	17-495-034-5120-014	7/1/16 - 6/30/17	40,760				40,760			(40,760)			\$	(40,760)
Non-Public Transportation	16-495-034-5120-014	7/1/15 - 6/30/16	41,774	(41,774)		41,774				-				-
Subtotal Transportation Cluster				(47,301)		123,179	123,157			(47,279)				123,157
Extraordinary Aid	17-100-034-5120-473	7/1/16 - 6/30/17					836,692			(836,692)				836,692
Extraordinary Aid	16-100-034-5120-473	7/1/15 - 6/30/16	456,152	(456,152)		456,152				-				-
Reimbursed TPAF Social Security Contribution	17-495-034-5094-003	7/1/16 - 6/30/17	1,014,208			962,973	1,014,208			(51,235)			\$	(51,235)
On-Behalf TPAF Pension Contribution	17-495-034-5094-002	7/1/16 - 6/30/17	1,408,349			1,408,349	1,408,349			-				1,408,349
On-Behalf TPAF Pension - NCGI Premium	17-495-034-5094-004	7/1/16 - 6/30/17	51,028			51,028	51,028			-				51,028
On-Behalf TPAF Pension - LTDI	17-495-034-5094-004	7/1/16 - 6/30/17	4,689			4,689	4,689			-				4,689
On-Behalf TPAF Post Retirement Medical Contribution	17-495-034-5094-001	7/1/16 - 6/30/17	1,215,992			1,215,992	1,215,992			-				1,215,992
Total General Fund				(634,193)		5,931,459	6,368,086			(1,070,820)				6,368,086
New Jersey Nonpublic Aid:														
Nursing Services	17-100-034-5120-070	7/1/16 - 6/30/17	60,390			60,390	60,390							60,390
Textbook Aid	16-100-034-5120-064	7/1/15 - 6/30/16	36,316		\$ 881				\$ 881			\$		-
Textbook Aid	17-100-034-5120-064	7/1/16 - 6/30/17	36,601			36,601	36,204	8				405		36,204
Technology	17-100-034-5120-373	7/1/16 - 6/30/17	16,510			16,510	16,014					496		16,014
Technology	16-100-034-5120-373	7/1/15 - 6/30/16	16,537		222					222				-
Security Aid	17-100-034-5120-509	7/1/16 - 6/30/17	33,550			33,550	33,288					262		33,288
Security Aid	16-100-034-5120-509	7/1/15 - 6/30/16	16,875		3					3				-
Auxiliary Services (Chapter 192):														
Compensatory Education	17-100-034-5120-067	7/1/16 - 6/30/17	107,496			107,496	68,887					38,609		68,887
Compensatory Education	16-100-034-5120-067	7/1/15 - 6/30/16	124,366		16,286				16,286					-
English as a Second Language	17-100-034-5120-067	7/1/16 - 6/30/17	24,574			24,574	24,299					275		24,299
English as a Second Language	16-100-034-5120-067	7/1/15 - 6/30/16	37,961		14,894				14,894					-
Transportation	17-100-034-5120-068	7/1/16 - 6/30/17	45,900			45,900	15,300					30,600		15,300
Home Instruction	16-100-034-5120-067	7/1/15 - 6/30/16	415	(415)		415				-				-
Total Auxiliary Services (Chapter 192 Cluster)				(415)	31,180	178,385	108,486		31,180			69,484		108,486
Handicapped Services (Chapter 193):														
Examination and Classification	17-100-034-5120-066	7/1/16 - 6/30/17	49,767			49,767	15,489					34,278		15,489
Examination and Classification	16-100-034-5120-066	7/1/15 - 6/30/16	20,476		13,039				13,039					-
Corrective Speech	17-100-034-5120-066	7/1/16 - 6/30/17	47,709			47,709	26,063					21,646		26,063
Corrective Speech	16-100-034-5120-066	7/1/15 - 6/30/16	44,312		11,480				11,480					-
Supplementary Instruction	17-100-034-5120-066	7/1/16 - 6/30/17	39,235			39,235	30,839					8,396		30,839
Supplementary Instruction	16-100-034-5120-066	7/1/15 - 6/30/16	40,099		8,813				8,813					-
Total Handicapped Services (Chapter 193 Cluster)					33,332	136,711	72,391		33,332			64,320		72,391
Total Special Revenue Fund				(415)	65,618	462,147	326,773	8	65,618			134,967		326,773
Total State Department of Education				(634,608)	65,618	6,393,606	6,694,859	8	65,618	(1,070,820)		134,967	(91,995)	6,694,859

**NEW MILFORD BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2016		Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	June 30, 2017		Due to Grantor	MEMO		
				Unearned Revenue/ (Accts Rec.)	Due to Grantor					(Accounts Receivable)	Unearned Revenue		GAAP Receivable	Combined Total Expenditures	
Department of Agriculture															
National School Lunch Program (State Share)	16-100-010-3350-023	7/1/15 - 6/30/16	\$ 5,721	\$ (1,081)		\$ 1,081	\$ 5,574	-	-	\$ (398)	-	-	\$ (398)	\$ 5,574	
National School Lunch Program (State Share)	17-100-010-3350-023	7/1/16 - 6/30/17	5,574	-		5,176	5,574	-	-	-	-	-	-	-	
Total Department of Agriculture (Food Service Fund)				(1,081)	-	6,257	5,574	-	-	(398)	-	-	(398)	5,574	
Total State Financial Assistance Subject to Single Audit Determination				(635,689)	\$ 65,618	\$ 6,399,863	\$ 6,700,433	\$ 8	\$ 65,618	(1,071,218)	-	\$ 134,967	(92,393)	6,700,433	
State Financial Assistance Not Subject to Major Program Determination															
General Fund															
On-Behalf TPAF Pension Benefit Contributio	17-495-034-5095-002	7/1/16 - 6/30/17	1,408,349			(1,408,349)	(1,408,349)							(1,408,349)	
On-Behalf TPAF Pension -NCGI Premium	17-495-034-5095-004	7/1/16 - 6/30/17	51,028			(51,028)	(51,028)							(51,028)	
On-Behalf TPAF Pension -LTDI	17-495-034-5095-004	7/1/16 - 6/30/17	4,689			(4,689)	(4,689)							(4,689)	
On-Behalf TPAF Post-Retirement Medical	17-495-034-5095-001	7/1/16 - 6/30/17	1,215,992			(1,215,992)	(1,215,992)							(1,215,992)	
Total State Financial Assistance Subject to Major Program Determination				(635,689)	\$ 65,618	\$ 3,719,805	\$ 4,020,375	\$ 8	\$ 65,618	(1,071,218)	\$ -	\$ 134,967	(92,393)	\$ 4,020,375	

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.

**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, 2017**

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 schedule 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 Title 2 U.S. Code of Federal Regulations Part 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 a decrease of \$386,406 for the general fund and an increase of \$8,828 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	\$ 6,237	\$ 5,981,680	\$ 5,987,917
Special Revenue Fund	853,284	337,316	1,190,600
Food Service Fund	<u>198,659</u>	<u>5,574</u>	<u>204,233</u>
 Total Financial Assistance	 <u>\$ 1,058,180</u>	 <u>\$ 6,324,570</u>	 <u>\$ 7,382,750</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, 2017**

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 \$1,014,208 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, 2017. The amount reported as TPAF Pension System Contributions in the amount of \$1,459,377, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,215,992 and TPAF Long-Term Disability Insurance in the amount of \$4,689 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2017.

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

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits and Long-Term Disability Insurance 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 elected not 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, 2017**

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>H027A160100</u>	<u>IDEA Basic</u>
<u>83.173 A</u>	<u>H173A160114</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? X yes no

**NEW MILFORD BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

State 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)? X yes _____ 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 N.J. Circular Letter 15-08 ? X yes _____ no

Identification of major programs:

GMIS Number(s)	Name of State Program
<u>495-034-5120-078</u>	<u>Equalization Aid</u>
<u>495-034-5120-089</u>	<u>Special Education Aid</u>
<u>495-034-5120-084</u>	<u>Security Aid</u>
<u>495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>495-034-5120-098</u>	<u>PARCC Readiness</u>
<u>495-034-5120-101</u>	<u>Professional Learning Community Aid</u>
<u>100-034-5120-473</u>	<u>Extraordinary Aid</u>
<u>495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contributions</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, 2017**

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, 2017**

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, 2017**

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 2017-001:

Our audit noted the following with regards to compliance with the Public School Contracts Law:

- Payments to certain vendors for goods/services provided exceeded the quote threshold; however, only quote was obtained.
- The documentation to support cost savings for a contract to a vendor awarded under a national cooperative purchasing agreement was not available for audit.
- There were payments to several vendors under the State contract/cooperative purchasing agreements where the rates being charged could not be verified to the specifications of the cooperative contract.

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
Professional Learning Community Aid	495-043-5120-101

Criteria or specific requirement:

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

Condition:

See Finding 2017-001

Questioned Costs:

Unknown.

**NEW MILFORD BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 2017-001: (Continued)

Context:

Quotes were not solicited for the following:

- Purchase and installation of security equipment and related peripherals - \$20,675
- Boiler repairs- \$21,282
- Computer hardware and related software - \$22,676
- Acquisition of storage units and furniture - \$33,072
- Costs savings analysis and related documentation required for use of national cooperative purchasing agreements was not provided in conjunction with purchases of Chromebooks and related materials - \$20,791
- Payments were made to several vendors under State contract/cooperative purchasing agreements where the documentation to verify compliance with contract specifications were not available.

Effect:

Noncompliance with requirements of the Public School Contracts Law.

Cause:

Unknown.

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).
- State contract and cooperative purchasing agreements vendor files be maintained to support and document compliance with the applicable cooperative purchases and State contracts utilized by the District.

Views of Responsible Officials and Planned Corrective Action Plan:

Management has reviewed this finding and has indicated they will review and revise their 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, 2017

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. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

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 determination to support competitive quotations were solicited by the District in accordance with N.J.S.A. 18A:18A-37(a).

Current Status

See Finding 2017-001.