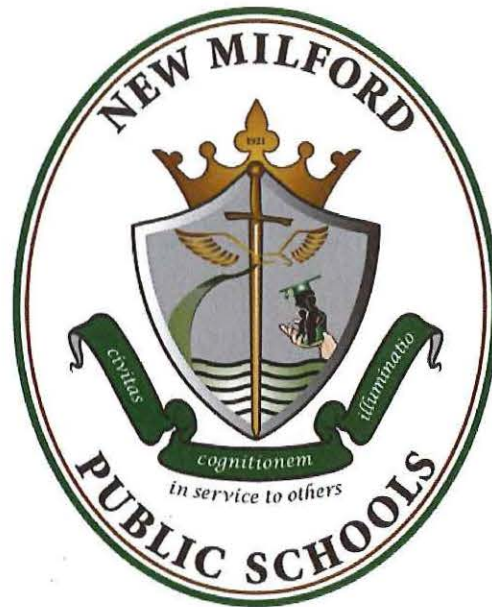


SCHOOL DISTRICT  
OF  
**NEW MILFORD**



NEW MILFORD BOARD OF EDUCATION  
NEW MILFORD, NEW JERSEY

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**OF THE**

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

**For the Fiscal Year Ended June 30, 2018**

**Prepared by**

**NEW MILFORD Board of Education  
Business Office**

**NEW MILFORD BOARD OF EDUCATION  
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# Introductory Section

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

January 24, 2019

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 Board of Education (District) for the fiscal year ended June 30, 2018 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 2017-2018 fiscal year with an enrollment of 1990 students, which is 28 students above the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Fiscal Year	Student Enrollment	Percent Change
2017-18	1990	1.43%
2016-17	1962	-1.75%
2015-16	1997	0.91%
2014-15	1979	-1.74%
2013-14	2014	-2.52%
2012-13	2066	0.88%
2011-12	2048	-3.89%
2010-11	2131	0.09%
2009-10	2129	7.58%
2008-09	1979	-2.08%

**2) ECONOMIC CONDITION AND OUTLOOK:** With the election of a new governor has come a redistribution of state aid to better reflect the state fair funding formula. As a designated underfunded district, additional state aid was awarded to the district last year and should continue for the foreseeable future. However, these monies will be needed to offset significant rising health care costs. The current state pension crisis also looms as an unknown in the long term. The district will need to continue to operate with a 2% cap on the tax levy with some legislative relief hopefully forthcoming from a cap on out-of-district special education tuition costs. Critical facility replacements and upgrades in addition to academic programs growth, technology advances, security enhancements and increased student support services has focused attention to the need for a referendum in the coming years. The size of the financial investment and number of projects and programs that are needed cannot be addressed in the normal operating budget.

**3) MAJOR INITIATIVES:** Class of 2018 91% of the graduates plan to receive some form of formal post-secondary education or training. 70% will be attending four year colleges in the fall. 21% will be participating in two year community college or career training programs. 2% will enter the military. 1% will be taking a GAP year. The remaining 6% 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. 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, 2018.

**6) DEBT ADMINISTRATION:** At June 30, 2018 the District's outstanding debt issue was \$1,290,000 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 3. 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.



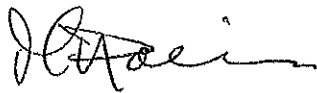
**9) OTHER INFORMATION:**

**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,



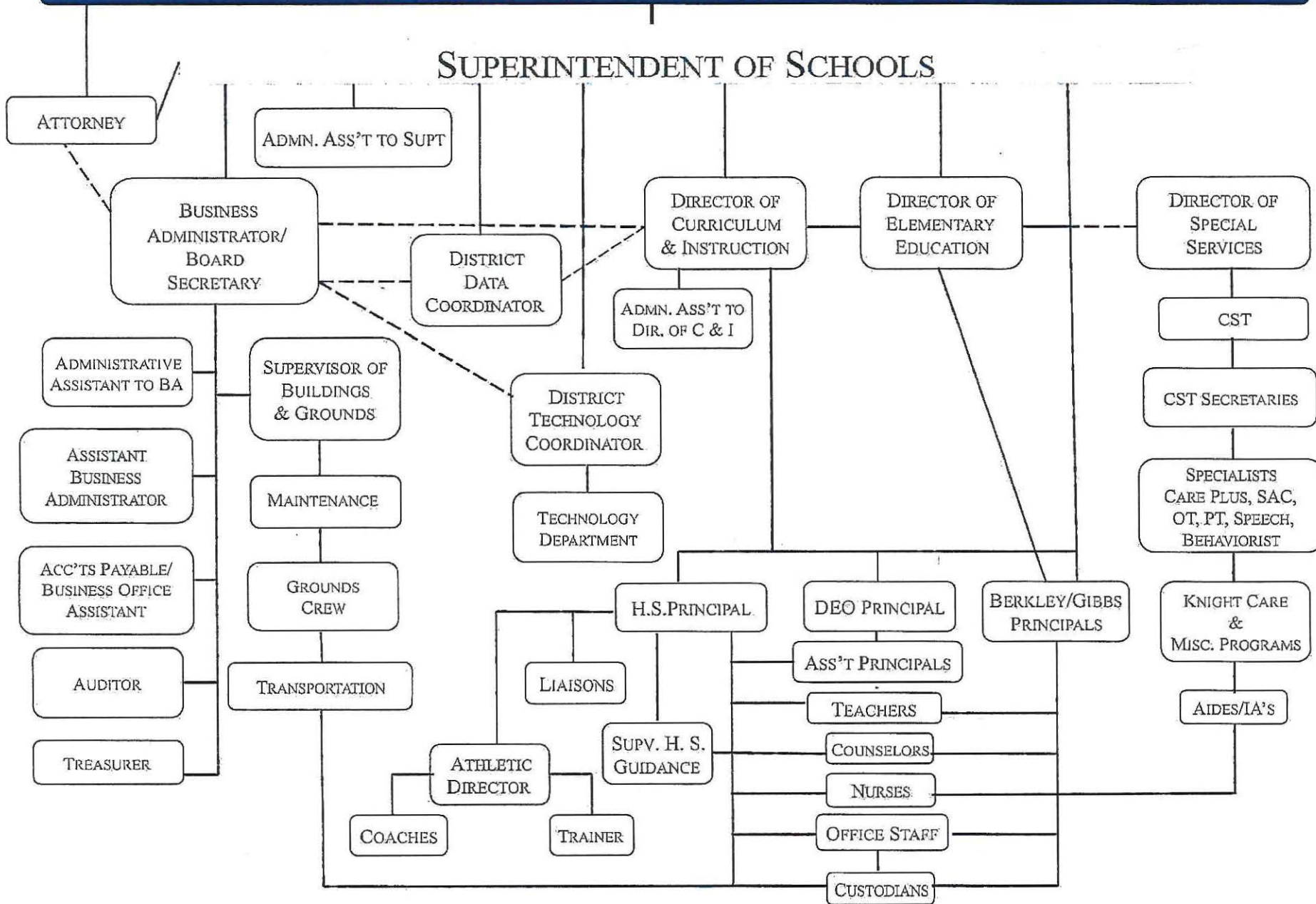
Michael Polizzi  
Superintendent



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, 2018**

**Members of the Board of Education**

**Term Expires**

Paige Ryan, President	12/2020
Judith Rabinowitz McSweeney, Vice-President	12/2019
Tonia Andrews	12/2019
George Adelung	12/2020
John Heinemann	12/2020
Laura O'Grady	12/2018
Jason Levine	12/2018
Joseph Steele	12/2018
Heather Gomez	12/2018

**Other Officials**

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  
2<sup>nd</sup> Floor, 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  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
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, 2018 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, 2018, 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.

## *Emphasis of Matter*

### *Adoption of New Accounting Pronouncement*

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2018 the New Milford Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

## *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, pension information and other postemployment benefits 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 January 24, 2019 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*

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

*DLJ*

Donna L. Japhet  
Public School Accountant  
PSA Number CS002314

Fair Lawn, New Jersey  
January 24, 2019



**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

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

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

Fiscal Year Ended June 30, 2018

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, 2018. 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 (2017-2018) and the prior year (2016-2017) is required to be presented in the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-2018 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 \$11,555,242 (net position).
- Overall District revenues were \$50,378,422 which were \$84,231 less than overall District expenses of \$50,462,653. General revenues accounted for \$33,412,426 or 66% of all revenues. Program specific revenues in the form of charges for services, grants and contributions account for \$16,965,996 or 34% of total revenues.
- The School District had \$49,158,550 in expenses for governmental activities; only \$15,718,695 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) and transfer of \$33,411,207 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,518,875. Of that amount, \$155,332 (4%) is available for spending at the District's discretion (unassigned fund balance).
- The General Fund unassigned fund balance was \$155,332 at June 30, 2018, an increase of \$10,239 when compared with the beginning balance at July 1, 2017 of \$145,093.
- The General Fund unassigned budgetary basis fund balance at June 30, 2018 was \$1,136,444 which represents an increase of \$12,526 compared to the ending budgetary basis fund balance at June 30, 2017 of \$1,123,918.

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

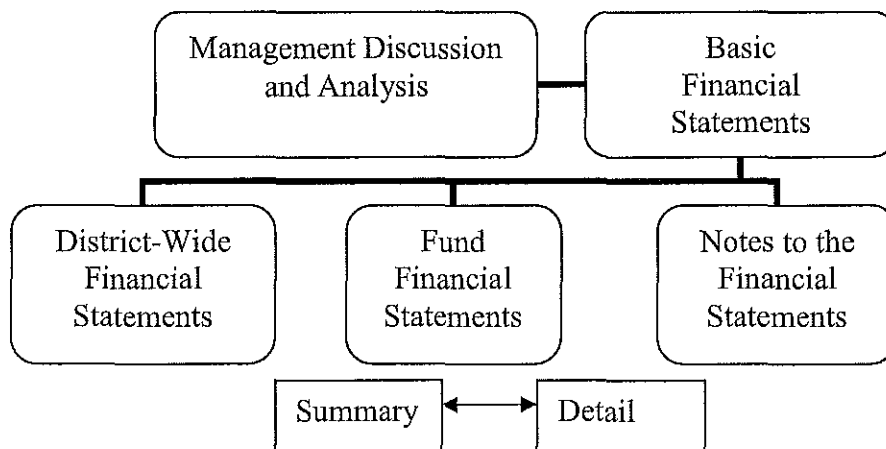
Fiscal Year Ended June 30, 2018

### 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, 2018**

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

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

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

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

Fiscal Year Ended June 30, 2018

### 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 programs 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, 2018

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” and “Summer Music”) programs 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 and the accounting and reporting for other post-employment benefits as required under GASB Statement No.75. 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, 2018

### 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 2018 and 2017.

**Net Position.** The District's *combined* net position were \$11,555,242 on June 30, 2018 and \$11,639,473 on June 30, 2017, respectively.

**Statement of Net Position  
As of June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 4,539,964	\$ 3,599,235	\$ 500,169	\$ 510,204	\$ 5,040,133	\$ 4,109,439
Capital Assets	20,429,929	21,322,852	114,669	114,265	20,544,598	21,437,117
<b>Total Assets</b>	<u>24,969,893</u>	<u>24,922,087</u>	<u>614,838</u>	<u>624,469</u>	<u>25,584,731</u>	<u>25,546,556</u>
Deferred Amounts on Refunding of Debt	13,385	20,423			13,385	20,423
Deferred Amounts on Net Pension Liability	3,278,362	4,838,099	-	-	3,278,362	4,838,099
<b>Total Deferred Outflows of Resources</b>	<u>3,291,747</u>	<u>4,858,522</u>	<u>-</u>	<u>-</u>	<u>3,291,747</u>	<u>4,858,522</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>28,261,640</u>	<u>29,780,609</u>	<u>614,838</u>	<u>624,469</u>	<u>28,876,478</u>	<u>30,405,078</u>
Long-Term Liabilities	13,500,437	17,809,311			13,500,437	17,809,311
Other Liabilities	1,043,958	910,366	91,880	45,928	1,135,838	956,294
<b>Total Liabilities</b>	<u>14,544,395</u>	<u>18,719,677</u>	<u>91,880</u>	<u>45,928</u>	<u>14,636,275</u>	<u>18,765,605</u>
Deferred Amounts on Net Pension Liability	2,684,961	-	-	-	2,684,961	-
<b>Total Deferred Inflows of Resources</b>	<u>2,684,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,684,961</u>	<u>-</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>17,229,356</u>	<u>18,719,677</u>	<u>91,880</u>	<u>45,928</u>	<u>17,321,236</u>	<u>18,765,605</u>
Net Investment in Capital Assets	18,933,504	19,259,075	114,669	114,265	19,048,173	19,373,340
Restricted	930,816	405,594			930,816	405,594
Unrestricted	(8,832,036)	(8,603,737)	408,289	464,276	(8,423,747)	(8,139,461)
<b>Total Net Position</b>	<u>\$ 11,032,284</u>	<u>\$ 11,060,932</u>	<u>\$ 522,958</u>	<u>\$ 578,541</u>	<u>\$ 11,555,242</u>	<u>\$ 11,639,473</u>



# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

### Fiscal Year Ended June 30, 2018

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 2018 and 2017.

#### Change in Net Position For the Fiscal Years Ended June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>						
Program Revenues						
Charges for Services	\$ 757,574	\$ 510,419	\$ 1,051,598	\$ 987,193	\$ 1,809,172	\$ 1,497,612
Operating Grants and Contributions	14,947,976	13,123,587	195,703	204,233	15,143,679	13,327,820
Capital Grants and Contributions	13,145	63,532			13,145	63,532
General Revenues						
Property Taxes	32,864,291	31,955,572			32,864,291	31,955,572
State Aid - Unrestricted	440,266	370,650			440,266	370,650
Other	105,062	103,845	2,807	3,031	107,869	106,876
<b>Total Revenues</b>	<u>49,128,314</u>	<u>46,127,605</u>	<u>1,250,108</u>	<u>1,194,457</u>	<u>50,378,422</u>	<u>47,322,062</u>
<b>Expenses</b>						
Instruction						
Regular	18,898,048	17,780,774			18,898,048	17,780,774
Special Education	7,864,426	7,991,141			7,864,426	7,991,141
Other Instruction	756,966	703,985			756,966	703,985
School Sponsored Activities and Athletics	1,478,110	1,441,874			1,478,110	1,441,874
Support Services						
Student and Instruction Related Services	7,020,879	6,835,530			7,020,879	6,835,530
General Administrative Services	1,123,555	1,103,769			1,123,555	1,103,769
School Administrative Services	3,789,228	3,700,220			3,789,228	3,700,220
Central and Other Support Services	1,553,406	1,264,781			1,553,406	1,264,781
Plant Operation and Maintenance	5,443,789	5,055,523			5,443,789	5,055,523
Pupil Transportation	1,183,655	1,223,166			1,183,655	1,223,166
Interest on Debt	46,488	68,297			46,488	68,297
Food Service			888,859	753,051	888,859	753,051
Knight Care Latchkey Program			365,999	440,947	365,999	440,947
Broadway Kids Summer Program			24,458	19,181	24,458	19,181
After School Enrichment Program			11,107	10,747	11,107	10,747
Summer Music Program	-	-	13,680	-	13,680	-
<b>Total Expenses</b>	<u>49,158,550</u>	<u>47,169,060</u>	<u>1,304,103</u>	<u>1,223,926</u>	<u>50,462,653</u>	<u>48,392,986</u>
Increase (Decrease) in Net Position Before Transfers	(30,236)	(1,041,455)	(53,995)	(29,469)	(84,231)	(1,070,924)
Transfers	1,588	1,481	(1,588)	(1,481)	-	-
Change in Net Position	(28,648)	(1,039,974)	(55,583)	(30,950)	(84,231)	(1,070,924)
<b>Beginning of Year, Net Position</b>	<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>
<b>End of Year, Net Position</b>	<u>\$ 11,032,284</u>	<u>\$ 11,060,932</u>	<u>\$ 522,958</u>	<u>\$ 578,541</u>	<u>\$ 11,555,242</u>	<u>\$ 11,639,473</u>

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

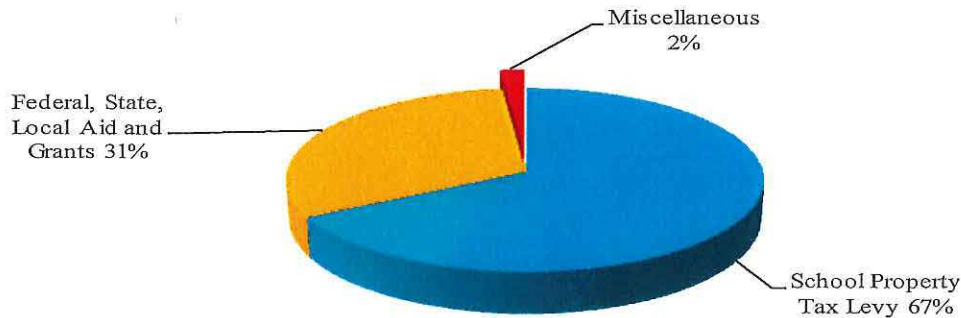
Fiscal Year Ended June 30, 2018

**Governmental Activities.** The District's total governmental activities' revenues, which includes State and Federal grants, were \$49,128,314 for the fiscal year ended June 30, 2018, property taxes of \$32,864,291 represented 67% of revenues. Another significant portion of revenues came from grants and contributions; total State, Federal and Local Aid and Grants were \$15,401,387 and represented 31% 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.

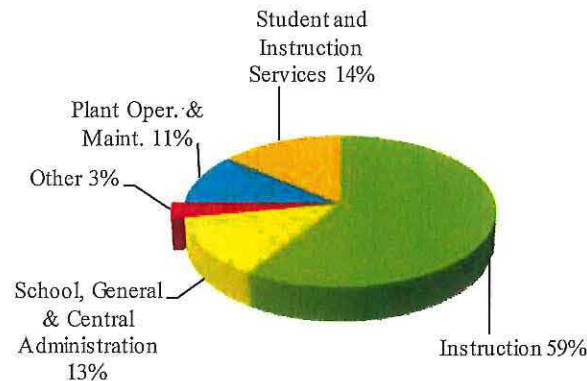
The total cost of all governmental activities programs and services was \$49,158,550. The district's expenses are predominantly related to educating and caring for students. Instruction totaled \$28,997,550 (59%) of total expenses. Support services, total \$20,114,512 (41%) of total expenses. Interest on debt totals \$46,488, less than 1% of total expenses.

Total governmental activities expenses exceeded revenues and transfers, decreasing net position by \$28,648 from the previous year.

Revenues by Type – Governmental Activities  
For Fiscal Year 2018



Expenses by Type – Governmental Activities For Fiscal Year 2018



# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

Fiscal Year Ended June 30, 2018

**Total and Net Cost of Governmental Activities.** The District's total cost of services was \$49,158,550. After applying program revenues, derived from operating and capital grants and contributions of \$14,961,121, and charges for services of \$757,574, the net cost of services of the District is \$33,439,855.

### Total and Net Cost of Governmental Activities For the Fiscal Years Ended June 30, 2018 and 2017

Governmental Activities	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction				
Regular	\$ 18,898,048	\$ 17,780,774	\$ 12,412,201	\$ 11,884,879
Special Education	7,864,426	7,991,141	3,190,066	4,029,268
Other Instruction	756,966	703,985	479,509	440,326
School Sponsored Activities and Athletics	1,478,110	1,441,874	1,056,102	1,042,175
Support Services				
Student and Instruction Related Services	7,020,879	6,835,530	5,195,864	5,219,301
General Administration	1,123,555	1,103,769	963,416	983,742
School Administration Services	3,789,228	3,700,220	2,678,405	2,688,279
Central and Other Support Services	1,553,406	1,264,781	1,303,470	1,087,027
Plant Operation and Maintenance	5,443,789	5,055,523	5,143,360	4,980,292
Pupil Transportation	1,183,655	1,223,166	970,974	1,047,936
Interest on Debt	46,488	68,297	46,488	68,297
<b>Total Governmental Activities</b>	<b>\$ 49,158,550</b>	<b>\$ 47,169,060</b>	<b>\$ 33,439,855</b>	<b>\$ 33,471,522</b>

### Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2018 was \$1,304,103. These costs were funded by charges for services of \$1,051,598 (84%) and operating grants of \$195,703 (16%), as detailed in the change in net position schedule.

Total business-type activities expenses and transfer surpassed revenues, decreasing net position by \$55,583 from the previous year.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$3,518,875 at June 30, 2018 compared to a combined fund balance of \$2,721,090 at June 30, 2017.

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

Fiscal Year Ended June 30, 2018

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

Revenues for the District's governmental funds were \$41,913,105, while total expenditures were \$41,116,908.

#### 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, 2018 and 2017

	<u>2018</u>	<u>2017</u>	Amount of Increase (Decrease)	Percent Change
<b>Revenues</b>				
Local Sources:				
Property Tax Levy	\$ 32,368,991	\$ 31,437,772	\$ 931,219	3%
Tuition	735,788	460,111	275,677	60%
Transportation	21,786	50,308	(28,522)	-57%
Interest	26,470	23,979	2,491	10%
Miscellaneous	78,592	79,866	(1,274)	-2%
State Sources	7,057,598	5,981,680	1,075,918	18%
Federal Sources	<u>15,058</u>	<u>6,237</u>	<u>8,821</u>	141%
<b>Total Revenues</b>	<u>\$ 40,304,283</u>	<u>\$ 38,039,953</u>	<u>\$ 2,264,330</u>	6%

The majority of revenues come from property taxes which accounted for 80% of total revenue while state sources represented 18% of total revenue for the 2018 fiscal year.

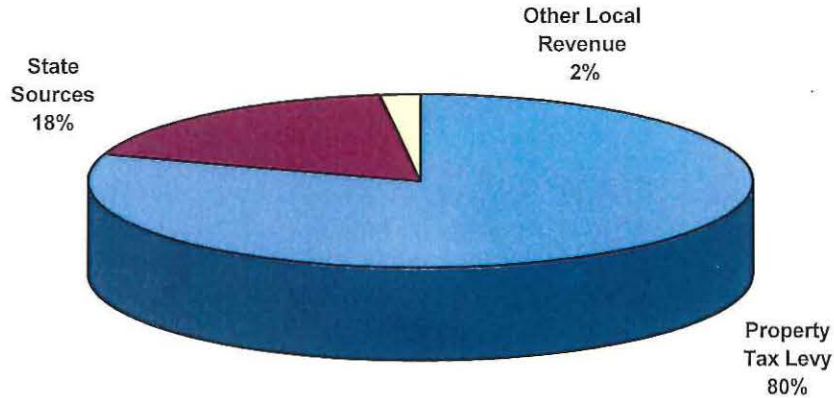
Total General Fund revenues increased by \$2,264,330 or 6% compared with the previous year. The increase in property tax revenues and on-behalf state revenues were largely attributable for the increase. Local property taxes increased 3% from the previous year. State aid revenues increased \$1,075,918 or 18% 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 decreased due to a significant decrease in busing services provided for students received outside the district.

**NEW MILFORD BOARD OF EDUCATION**

**Management Discussion and Analysis**

**Fiscal Year Ended June 30, 2018**

**General Fund  
Revenues by Source  
For the Fiscal Year Ended June 30, 2018**



The following schedule presents a summary of General Fund expenditures.

**Summary of General Fund Expenditures (GAAP Basis)  
For the Fiscal Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>	Amount of Increase (Decrease)	Percent Change
<b>Expenditures</b>				
Instruction	\$ 23,005,896	\$ 21,992,849	\$ 1,013,047	5%
Support Services	16,221,902	15,626,488	595,414	4%
Debt Service	127,892	282,694	(154,802)	-55%
Capital Outlay	152,396	890,709	(738,313)	-83%
<b>Total Expenditures</b>	<u>\$ 39,508,086</u>	<u>\$ 38,792,740</u>	<u>\$ 715,346</u>	2%

Total General Fund expenditures increased \$715,346 or 2% from the previous year. Instruction represented 58% of total expenditures while support services accounted for 41% of total expenditures for the 2018 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 decreased due to expenditures incurred in connection with the High School plaza, High School elevator and Middle School home economic classroom conversion in previous year. Debt service decreased due to the final payment made on the phone equipment lease during the fiscal year ended June 30, 2017.

# NEW MILFORD BOARD OF EDUCATION

## Management Discussion and Analysis

### Fiscal Year Ended June 30, 2018

For the 2017-2018 school year general fund revenues and other financing sources exceeded expenditures by \$797,785. After adjusting for restricted and assigned fund balances, the unassigned fund balance increased from \$145,093 at June 30, 2017 to \$155,332 at June 30, 2018. Consequently, the district has \$953,538 of restricted excess surplus from the current year operations compared to \$870,610 excess surplus at June 30, 2017 from prior year (2016/2017) operations.

### CAPITAL PROJECTS AND DEBT ADMINISTRATION

**Capital Assets.** At the end of fiscal years 2018 and 2017, 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, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 3,255,000	\$ 3,255,000			\$ 3,255,000	\$ 3,255,000
Land Improvements	1,618,730	1,611,710			1,618,730	1,611,710
Buildings and Building Improvements	29,031,874	28,937,684			29,031,874	28,937,684
Machinery and Equipment	3,948,184	3,899,353	\$ 317,020	\$ 286,509	4,265,204	4,185,862
<b>Total</b>	<b>37,853,788</b>	<b>37,703,747</b>	<b>317,020</b>	<b>286,509</b>	<b>38,170,808</b>	<b>37,990,256</b>
Less: Accumulated Depreciation	(17,423,859)	(16,380,895)	(202,351)	(172,244)	(17,626,210)	(16,553,139)
<b>Total Capital Assets, Net</b>	<b>\$ 20,429,929</b>	<b>\$ 21,322,852</b>	<b>\$ 114,669</b>	<b>\$ 114,265</b>	<b>\$ 20,544,598</b>	<b>\$ 21,437,117</b>

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, 2018

**Debt Administration.** As of June 30, 2018 and 2017 the school district had long-term debt and outstanding long-term liabilities in the amount of \$13,500,437 and \$17,809,311, respectively, as follows:

### Outstanding Long-Term Liabilities As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Serial Bonds Payable (Including Unamortized Premium)	\$ 1,324,871	\$ 1,778,207
Capital Leases Payable	184,939	305,993
Compensated Absences Payable	436,173	416,735
Net Pension Liability	<u>11,554,454</u>	<u>15,308,376</u>
Total	<u>\$ 13,500,437</u>	<u>\$ 17,809,311</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.
- Appropriation of additional state aid.

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, 2018**

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

General Fund budgetary basis revenues and other financing sources exceeded budgetary basis expenditures, increasing budgetary basis fund balance by \$800,072 from the previous year. After deducting restricted and assigned fund balances, the unassigned budgetary fund balance increased \$12,526 from \$1,123,918 at June 30, 2017 to \$1,136,444 at June 30, 2018. In addition, the District restricted fund balance for excess surplus increased to \$953,538 at June 30, 2018 compared to \$870,610 excess surplus at June 30, 2017.

### **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 2018-2019. Budgeted expenditures in the General Fund increased approximately five percent (5%) to \$37,923,203 in fiscal year 2018-2019.



# **NEW MILFORD BOARD OF EDUCATION**

## **Management Discussion and Analysis**

**Fiscal Year Ended June 30, 2018**

### **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, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,286,200	\$ 427,548	\$ 4,713,748
Receivables, Net:			
Receivables from Other Governments	266,446	10,733	277,179
Other	38,034	4,885	42,919
Internal Balances	(50,716)	50,716	
Inventories		6,287	6,287
Capital Assets Not Being Depreciated	3,255,000		3,255,000
Capital Assets, Being Depreciated	17,174,929	114,669	17,289,598
 Total Assets	 <u>24,969,893</u>	 <u>614,838</u>	 <u>25,584,731</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amounts on Refunding of Debt	13,385		13,385
Deferred Amounts on Net Pension Liability	3,278,362	-	3,278,362
 Total Deferred Outflows of Resources	 <u>3,291,747</u>	 <u>-</u>	 <u>3,291,747</u>
 Total Assets and Deferred Outflows of Resources	 <u>28,261,640</u>	 <u>614,838</u>	 <u>28,876,478</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	921,975	62,381	984,356
Payable to Other Governments	87,138		87,138
Accrued Interest Payable	22,869		22,869
Unearned Revenue	11,976	29,499	41,475
Noncurrent Liabilities :			
Due Within One Year	558,967		558,967
Due Beyond One Year	12,941,470	-	12,941,470
 Total Liabilities	 <u>14,544,395</u>	 <u>91,880</u>	 <u>14,636,275</u>

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

(Continued)

**NEW MILFORD BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2018**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amounts on Net Pension Liability	\$ 2,684,961	-	\$ 2,684,961
Total Deferred Inflows of Resources	2,684,961	-	2,684,961
Total Liabilities and Deferred Inflows of Resources	17,229,356	\$ 91,880	17,321,236
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 18,933,504	\$ 114,669	\$ 19,048,173
Restricted for:			
Capital Projects	611,411		611,411
Plant Maintenance	319,405		319,405
Unrestricted	(8,832,036)	408,289	(8,423,747)
Total Net Position	\$ 11,032,284	\$ 522,958	\$ 11,555,242

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, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
Instruction:							
Regular	\$ 18,898,048	\$ 6,721	\$ 6,479,126		\$ (12,412,201)		\$ (12,412,201)
Special Education	7,864,426	729,067	3,945,293		(3,190,066)		(3,190,066)
Other Instruction	756,966		277,457		(479,509)		(479,509)
School Sponsored Activities and Athletics	1,478,110		422,008		(1,056,102)		(1,056,102)
Support Services							
Student and Instruction Related Services	7,020,879		1,811,870	\$ 13,145	(5,195,864)		(5,195,864)
General Administrative Services	1,123,555		160,139		(963,416)		(963,416)
School Administrative Services	3,789,228		1,110,823		(2,678,405)		(2,678,405)
Central and Other Support Services	1,553,406		249,936		(1,303,470)		(1,303,470)
Plant Operations and Maintenance	5,443,789		300,429		(5,143,360)		(5,143,360)
Pupil Transportation	1,183,655	21,786	190,895		(970,974)		(970,974)
Interest on Debt	46,488	-	-		(46,488)		(46,488)
Total Governmental Activities	<u>49,158,550</u>	<u>757,574</u>	<u>14,947,976</u>	<u>13,145</u>	<u>(33,439,855)</u>	<u>-</u>	<u>(33,439,855)</u>
Business-Type Activities							
Food Service	888,859	617,570	195,703			\$ (75,586)	(75,586)
Knight Care Latch Key Program	365,999	384,851				18,852	18,852
Broadway Kids Summer Program	24,458	23,102				(1,356)	(1,356)
After School Enrichment Program	11,107	12,440				1,333	1,333
Summer Music Program	13,680	13,635				(45)	(45)
Total Business-Type Activities	<u>1,304,103</u>	<u>1,051,598</u>	<u>195,703</u>	<u>-</u>	<u>-</u>	<u>(56,802)</u>	<u>(56,802)</u>
Total Primary Government	<u>\$ 50,462,653</u>	<u>\$ 1,809,172</u>	<u>\$ 15,143,679</u>	<u>\$ 13,145</u>	<u>(33,439,855)</u>	<u>(56,802)</u>	<u>(33,496,657)</u>

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

(Continued)

NEW MILFORD BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
<b>General Revenues:</b>			
Property Taxes:			
Levied for General Purposes	\$ 32,368,991		\$ 32,368,991
Levied for Debt Service	495,300		495,300
State Aid, Unrestricted	440,266		440,266
Interest Income	26,470	\$ 2,807	29,277
Miscellaneous Income	78,592		78,592
<b>Transfers</b>	1,588	(1,588)	-
Total General Revenues and Transfers	33,411,207	1,219	33,412,426
Change in Net Position	(28,648)	(55,583)	(84,231)
Net Position, Beginning of Year	11,060,932	578,541	11,639,473
Net Position, End of Year	\$ 11,032,284	\$ 522,958	\$ 11,555,242

**FUND FINANCIAL STATEMENTS**

NEW MILFORD BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 4,200,452	\$ 85,748		\$ 4,286,200
Receivables, Net				
Receivables from Other Governments	110,634	155,812		266,446
Accounts	33,807	4,049		37,856
Due from Other Funds	<u>223</u>	<u>-</u>	<u>-</u>	<u>223</u>
Total Assets	<u>\$ 4,345,116</u>	<u>\$ 245,609</u>	<u>\$ -</u>	<u>\$ 4,590,725</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ 536,293	\$ 146,495		\$ 682,788
Accrued Salaries and Wages	115,681			115,681
Compensated Absences Payable	123,506			123,506
Payable to State Government		87,138		87,138
Due to Other Funds	50,761			50,761
Unearned Revenue	<u>-</u>	<u>11,976</u>	<u>-</u>	<u>11,976</u>
Total Liabilities	<u>826,241</u>	<u>245,609</u>	<u>-</u>	<u>1,071,850</u>
Fund Balances				
Restricted Fund Balance				
Capital Reserve	611,411			611,411
Maintenance Reserve	319,405			319,405
Emergency Reserve	285,874			285,874
Excess Surplus (2019/20 Budget)	953,538			953,538
Excess Surplus - Designated for Subsequent Year's Budget (2018/19 Budget)	870,610			870,610
Committed Fund Balance				
Year End Encumbrances	31,250			31,250
Assigned Fund Balance				
Designated for Subsequent Year's Budget (2018/2019)	100,000			100,000
Year End Encumbrances	191,455			191,455
Unassigned Fund Balance				
General Fund	<u>155,332</u>	<u>-</u>	<u>-</u>	<u>155,332</u>
Total Fund Balances	<u>3,518,875</u>	<u>-</u>	<u>-</u>	<u>3,518,875</u>
Total Liabilities and Fund Balances	<u>\$ 4,345,116</u>	<u>\$ 245,609</u>	<u>\$ -</u>	<u>\$ 4,590,725</u>



**NEW MILFORD BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2018**

**Total Fund Balances (Exhibit B-1)** **\$ 3,518,875**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$37,853,788 and the accumulated depreciation is \$17,423,859.

20,429,929

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

(22,869)

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

Deferred Outflows of Resources	\$ 3,278,362	
Deferred Inflows of Resources	<u>(2,684,961)</u>	

593,401

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.

13,385

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

General Obligation Bonds Payable	(1,290,000)	
Add: Premium on Issuance	(34,871)	
Capital Leases Payable	(184,939)	
Compensated Absences Payable	(436,173)	
Net Pension Liability	<u>(11,554,454)</u>	

(13,500,437)

**Net Position of Governmental Activities (Exhibit A-1)** **\$ 11,032,284**

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, 2018**

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>				
Local Sources				
Property Tax Levy	\$ 32,368,991		\$ 495,300	\$ 32,864,291
Tuition	735,788			735,788
Transportation Fees	21,786			21,786
Interest	26,470			26,470
Miscellaneous	<u>78,592</u>	<u>\$ 39,639</u>	<u>-</u>	<u>118,231</u>
Total - Local Sources	33,231,627	39,639	495,300	33,766,566
State Sources	7,057,598	365,437		7,423,035
Federal Sources	<u>15,058</u>	<u>708,446</u>	<u>-</u>	<u>723,504</u>
Total Revenues	<u>40,304,283</u>	<u>1,113,522</u>	<u>495,300</u>	<u>41,913,105</u>
<b>EXPENDITURES</b>				
Instruction				
Regular	14,736,113	591,713		15,327,826
Special Education	6,469,281	310,821		6,780,102
Other Instruction	580,395	25,575		605,970
School-Sponsored Activities and Athletics	<u>1,220,107</u>			<u>1,220,107</u>
Support Services				
Student and Instruction Related Services	5,670,320	172,268		5,842,588
General Administrative Services	985,583			985,583
School Administrative Services	3,061,723			3,061,723
Central and Other Support Services	1,213,495			1,213,495
Plant Operations and Maintenance	4,245,389			4,245,389
Pupil Transportation	<u>1,045,392</u>			<u>1,045,392</u>
Debt Service				
Principal	121,054		435,000	556,054
Interest and Other Charges	6,838		60,300	67,138
Capital Outlay	<u>152,396</u>	<u>13,145</u>	<u>-</u>	<u>165,541</u>
Total Expenditures	<u>39,508,086</u>	<u>1,113,522</u>	<u>495,300</u>	<u>41,116,908</u>
Excess of Revenues Over Expenditures	<u>796,197</u>	<u>-</u>	<u>-</u>	<u>796,197</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>1,588</u>	<u>-</u>	<u>-</u>	<u>1,588</u>
Total Other Financing Sources and Uses	<u>1,588</u>	<u>-</u>	<u>-</u>	<u>1,588</u>
Net Change in Fund Balances	797,785	-	-	797,785
Fund Balance, Beginning of Year	<u>2,721,090</u>	<u>-</u>	<u>-</u>	<u>2,721,090</u>
Fund Balance, End of Year	<u>\$ 3,518,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,518,875</u>

**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, 2018**

**Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)** \$ 797,785

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 depreciation exceeds capital outlay in the current period.

Capital Outlay	\$ 165,541	
Depreciation Expense	<u>(1,058,464)</u>	
		(892,923)

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	(19,438)	
Increase in Pension Expense	<u>(490,776)</u>	
		(510,214)

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	121,054	
Serial Bonds	<u>435,000</u>	
		556,054

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	(7,038)	
Original Issue Premium	<u>18,336</u>	
		11,298

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>9,352</u>
------------------------------	--	--------------

**Change in Net Position of Governmental Activities (Exhibit A-2)** **\$ (28,648)**

NEW MILFORD BOARD OF EDUCATION  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 AS OF JUNE 30, 2018

	<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>	
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 172,147	\$ 213,372	\$ 42,029	\$ 427,548
Intergovernmental Receivable, Net				
Federal	10,298			10,298
State	435			435
Accounts Receivable- Other	1,939	2,946		4,885
Due from Other Funds	62,721			62,721
Inventories	6,287	-	-	6,287
<b>Total Current Assets</b>	<u>253,827</u>	<u>216,318</u>	<u>42,029</u>	<u>512,174</u>
Capital Assets				
Equipment	176,675	140,345		317,020
Less: Accumulated Depreciation	(99,957)	(102,394)	-	(202,351)
<b>Total Capital Assets, Net</b>	<u>76,718</u>	<u>37,951</u>	<u>-</u>	<u>114,669</u>
<b>Total Assets</b>	<u>330,545</u>	<u>254,269</u>	<u>42,029</u>	<u>626,843</u>
<b>LIABILITIES</b>				
Current Liabilities				
Due to Other Funds		11,960	45	12,005
Accounts Payable	57,304	131		57,435
Accrued Salaries and Wages		4,946		4,946
Unearned Revenue	17,833	-	11,666	29,499
<b>Total Current Liabilities</b>	<u>75,137</u>	<u>17,037</u>	<u>11,666</u>	<u>103,885</u>
<b>NET POSITION</b>				
Investment in Capital Assets	76,718	37,951	-	114,669
Unrestricted	178,690	199,281	30,318	408,289
<b>Total Net Position</b>	<u>\$ 255,408</u>	<u>\$ 237,232</u>	<u>\$ 30,318</u>	<u>\$ 522,958</u>

NEW MILFORD BOARD OF EDUCATION  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Fund</u>			<u>Totals</u>
	<u>Food Service</u>	<u>Knight Care Latchkey Program</u>	<u>Non-Major Enterprise Fund</u>	
<b>OPERATING REVENUES</b>				
Charges for Services				
Daily Sales - Reimbursable Programs	\$ 241,346			\$ 241,346
Daily Sales - Non-Reimbursable Programs	376,224			376,224
Program Fees	-	\$ 384,851	\$ 49,177	434,028
Total Operating Revenues	<u>617,570</u>	<u>384,851</u>	<u>49,177</u>	<u>1,051,598</u>
<b>OPERATING EXPENSES</b>				
Salaries and Employee Benefits	280,671	310,661	39,885	631,217
Cost of Sales - Reimbursable Programs	221,930			221,930
Cost of Sales - Non-Reimbursable Programs	146,505			146,505
Purchased Management Services	56,791			56,791
Other Purchased Services	15,433	3,366	1,387	20,186
Supplies and Materials	141,191	44,378	4,048	189,617
Miscellaneous	3,825		3,925	7,750
Depreciation	22,513	7,594	-	30,107
Total Operating Expenses	<u>888,859</u>	<u>365,999</u>	<u>49,245</u>	<u>1,304,103</u>
Operating Income (Loss)	<u>(271,289)</u>	<u>18,852</u>	<u>(68)</u>	<u>(252,505)</u>
<b>NONOPERATING REVENUES</b>				
Federal Sources				
National School Lunch Program	144,857			144,857
National School Breakfast Program	432			432
Food Distribution Program	44,265			44,265
State Sources				
State School Lunch Program	6,149			6,149
Interest	1,203	1,392	212	2,807
Total Nonoperating Revenues	<u>196,906</u>	<u>1,392</u>	<u>212</u>	<u>198,510</u>
Change in Net Position Before Transfers	<u>(74,383)</u>	<u>20,244</u>	<u>144</u>	<u>(53,995)</u>
Transfers Out	-	(1,391)	(197)	(1,588)
Change in Net Position	<u>(74,383)</u>	<u>18,853</u>	<u>(53)</u>	<u>(55,583)</u>
Total Net Position, Beginning of Year	<u>329,791</u>	<u>218,379</u>	<u>30,371</u>	<u>578,541</u>
Total Net Position, End of Year	<u>\$ 255,408</u>	<u>\$ 237,232</u>	<u>\$ 30,318</u>	<u>\$ 522,958</u>

**NEW MILFORD BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Business-Type Activities - Enterprise Fund</u>			<u>Totals</u>
	<u>Food Service</u>	<u>Knight Care Latchkey Program</u>	<u>Non-Major Enterprise Fund</u>	
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 621,453	\$ 382,663	\$ 44,515	\$ 1,048,631
Cash Payments for Employees' Salaries and Benefits	(280,671)	(311,824)	(39,885)	(632,380)
Cash Payments to Suppliers for Goods and Services	(492,441)	(47,869)	(9,922)	(550,232)
Net Cash Provided/(Used) by Operating Activities	(151,659)	22,970	(5,292)	(133,981)
<b>Cash Flows from Noncapital Financing Activities</b>				
Cash Received from State and Federal Subsidy				
Reimbursements	151,780			151,780
Cash Payments from/(to) Other Funds	(39,584)	7,119	(152)	(32,617)
Net Cash Provided/(Used) by Noncapital Financing Activities	112,196	7,119	(152)	119,163
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(30,511)	-	-	(30,511)
Net Cash Used By Capital and Related Financing Activities	(30,511)	-	-	(30,511)
<b>Cash Flows from Investing Activities</b>				
Interest on Investments	1,203	1,392	212	2,807
Net Cash Provided by Investing Activities	1,203	1,392	212	2,807
Net Increase (Decrease) in Cash and Cash Equivalents	(68,771)	31,481	(5,232)	(42,522)
Cash and Cash Equivalents, Beginning of Year	240,918	181,891	47,261	470,070
Cash and Cash Equivalents, End of Year	\$ 172,147	\$ 213,372	\$ 42,029	\$ 427,548
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided/(Used) by Operating Activities</b>				
Operating Income (Loss)	\$ (271,289)	\$ 18,852	\$ (68)	\$ (252,505)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided/(Used) by Operating Activities				
Depreciation	22,513	7,594		30,107
Food Distribution Program (USDA Commodities)	44,265			44,265
Change in Assets, Liabilities and Deferred Inflows of Resources				
(Increase)/Decrease in Accounts Receivable	677	(2,188)		(1,511)
(Increase)/Decrease in Inventories	(289)			(289)
Increase/(Decrease) in Accounts Payable	49,258	(125)	(562)	48,571
Increase/(Decrease) in Accrued Salaries and Wages		(1,163)	-	(1,163)
Increase/(Decrease) in Unearned Revenue	3,206	-	(4,662)	(1,456)
Total Adjustments	119,630	4,118	(5,224)	118,524
Net Cash Provided/(Used) by Operating Activities	\$ (151,659)	\$ 22,970	\$ (5,292)	\$ (133,981)
<b>Non-Cash Investing, Capital and Financing Activities</b>				
Value Received - Food Distribution Program	\$ 44,265			

**NEW MILFORD BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
AS OF JUNE 30, 2018**

	<b>Unemployment Compensation Trust</b>	<b>Private Purpose Scholarship Fund</b>	<b>Agency Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 55,985	\$ 161,187	\$ 600,447
Total Assets	<u>55,985</u>	<u>161,187</u>	<u>\$ 600,447</u>
<b>LIABILITIES</b>			
Intergovernmental Accounts Payable	414		
Employee Deposits Payable			\$ 395,533
Accrued Salaries and Wages			473
Payroll Deductions and Withholdings			165
Due to Other Funds			178
Due to Student Groups	<u>-</u>	<u>-</u>	<u>204,098</u>
Total Liabilities	<u>414</u>	<u>-</u>	<u>\$ 600,447</u>
<b>NET POSITION</b>			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 55,571</u>	<u>\$ 161,187</u>	

**NEW MILFORD BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>Unemployment Compensation <u>Trust</u></b>	<b>Private Purpose Scholarship <u>Fund</u></b>
<b>ADDITIONS</b>		
Contributions		
District	\$ 45,000	
Employee	36,376	
Private		\$ 33,945
Investment Earnings		
Interest	<u>218</u>	<u>308</u>
Total Additions	<u>81,594</u>	<u>34,253</u>
<b>DEDUCTIONS</b>		
Scholarship Awards		49,955
Unemployment Claims and Contributions	<u>49,372</u>	<u>          </u>
Total Deductions	<u>49,372</u>	<u>49,955</u>
Change in Net Position	32,222	(15,702)
Net Position, Beginning of Year	<u>23,349</u>	<u>176,889</u>
Net Position, End of Year	<u>\$ 55,571</u>	<u>\$ 161,187</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, summer 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 2018, the District adopted the following GASB statements as required:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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. 85, *Omnibus 2017*. 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*. 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.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

- GASB No. 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. 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.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

**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, 2018**

**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, the food service enterprise fund and the Knight Care Latchkey Program enterprise fund 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 *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, 2018**

**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.

The *Summer Music Program fund* accounts for the activities of the District's summer music academy program which provides various music enrichment activities during the summer recess.

Additionally, the government reports the following fund types:

The *fiduciary trust funds* are used to account for resources legally held in trust for state unemployment insurance claims and for private donations for scholarship awards. All resources of the funds, 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.

The *fiduciary agency funds* account for assets held by the District as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations and clubs for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

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.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**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.

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, 2018**

**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.

**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

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has only one type of item, which arises only under the accrual basis of accounting that qualifies for reporting in this category which 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; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

***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.



NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 with the unamortized bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

9. *Net Position/Fund Balance*

District-Wide Statements

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

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

Governmental Fund Statements

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

**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).

NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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)

Restricted Fund Balance (Continued)

*Excess Surplus* – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2018 audited excess surplus that is required to be appropriated in the 2019/2020 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, 2017 audited excess surplus that was appropriated in the 2018/2019 original budget certified for taxes.

**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 2018/2019 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.

In the general operating fund and other governmental funds (debt service fund type), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

***10. Fund Balance Policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**F. Revenues and Expenditures/Expenses**

***1. Program Revenues***

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

***2. Property Taxes***

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

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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. According to the contracts with the sending districts, the charges are not 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 2016-2017 and 2017-2018 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 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, 2018**

**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 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$692,732. The increase was funded by additional state aid appropriated, an appropriation of capital reserve funds, appropriation of prior year extraordinary aid, grant awards and the reappropriation of prior year general fund encumbrances. On March 19, 2018, the Board authorized and approved the appropriation of prior year Extraordinary Aid of \$386,692.

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. Deficit Fund Equity**

The District has an accumulated deficit in net position of \$45 in the Summer Music Program Non-Major Enterprise Fund. The District expects to eliminate this deficit through normal operations in the 2018/2019 fiscal year.

**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, 2018**

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

**C. Capital Reserve (Continued)**

The activity of the capital reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017		\$	286,658
Increased by:			
Deposits Approved by Board Resolution	\$	400,000	
Return of Unexpended Funds		17,000	
Interest Earned		<u>753</u>	
			<u>417,753</u>
			704,411
Withdrawals:			
Approved by Board Resolutions			<u>93,000</u>
Balance, June 30, 2018		\$	<u>611,411</u>

The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan.

**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, 2018 is as follows:

Balance, July 1, 2017		\$	118,936
Increased by:			
Deposits Approved by Board Resolution	\$	200,000	
Interest Earned		<u>469</u>	
			<u>200,469</u>
Balance, June 30, 2018		\$	<u>319,405</u>

The June 30, 2018 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, 2018**

**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, 2018 is as follows:

Balance, July 1, 2017	\$ 285,199
Increased by:	
Interest Earned	<u>675</u>
Balance, June 30, 2018	<u>\$ 285,874</u>

**F. Transfers to Capital Outlay**

During the 2017/2018 school year, the district transferred \$93,000 to the non-equipment capital outlay accounts. The transfer was made from the capital reserve account to fund a capital project included in the District's Long Range Facilities Plan.

**G. 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, 2018 is \$1,824,148. Of this amount, \$870,610 was designated and appropriated in the 2018/2019 original budget certified for taxes and the remaining amount of \$953,538 will be appropriated in the 2019/2020 original budget certified for taxes.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 and NCUSIF.

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, 2018, the book value of the Board's deposits were \$5,531,367 and bank and brokerage firm balances of the Board's deposits amounted to \$5,900,586. The Board's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

**Depository Account**

Insured	\$ <u>5,900,586</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, 2018 none of the Board's bank balance was exposed to custodial credit risk.

**Investments**

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; 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; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law," (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.



**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

**Investments (Continued)**

As of June 30, 2018, the Board had no outstanding investments.

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

Credit Risk – State law limits investments as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

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

**B. Receivables**

Receivables as of June 30, 2018 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	\$ 110,634		\$ 435		\$ 111,069
Federal		155,812	10,298		166,110
Accounts	<u>33,807</u>	<u>4,049</u>	<u>1,939</u>	<u>\$ 2,946</u>	<u>42,741</u>
Total Gross Receivables	<u>\$ 144,441</u>	<u>\$ 159,861</u>	<u>\$ 12,672</u>	<u>\$ 2,946</u>	<u>\$ 319,920</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	\$ 9,264
Grand Draw Downs Reserved for Encumbrances	<u>2,712</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 11,976</u>

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2018</u>
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 3,255,000	-	-	\$ 3,255,000
Total Capital Assets, Not Being Depreciated	<u>3,255,000</u>	<u>-</u>	<u>-</u>	<u>3,255,000</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	28,937,684	\$ 94,190		29,031,874
Land Improvements	1,611,710	7,020		1,618,730
Machinery and Equipment	<u>3,899,353</u>	<u>64,331</u>	\$ (15,500)	<u>3,948,184</u>
Total Capital Assets Being Depreciated	<u>34,448,747</u>	<u>165,541</u>	<u>(15,500)</u>	<u>34,598,788</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(13,104,870)	(693,143)		(13,798,013)
Land Improvements	(1,087,449)	(57,844)		(1,145,293)
Machinery and Equipment	<u>(2,188,576)</u>	<u>(307,477)</u>	15,500	<u>(2,480,553)</u>
Total Accumulated Depreciation	<u>(16,380,895)</u>	<u>(1,058,464)</u>	<u>15,500</u>	<u>(17,423,859)</u>
Total Capital Assets, Being Depreciated, Net	<u>18,067,852</u>	<u>(892,923)</u>	<u>-</u>	<u>17,174,929</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,322,852</u>	<u>\$ (892,923)</u>	<u>\$ -</u>	<u>\$ 20,429,929</u>

	Balance, <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2018</u>
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 286,509	\$ 30,511	-	\$ 317,020
Total Capital Assets Being Depreciated	<u>286,509</u>	<u>30,511</u>	<u>-</u>	<u>317,020</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(172,244)	(30,107)	-	(202,351)
Total Accumulated Depreciation	<u>(172,244)</u>	<u>(30,107)</u>	<u>-</u>	<u>(202,351)</u>
Total Capital Assets, Being Depreciated, Net	<u>114,265</u>	<u>404</u>	<u>-</u>	<u>114,669</u>
Business-Type Activities Capital Assets, Net	<u>\$ 114,265</u>	<u>\$ 404</u>	<u>\$ -</u>	<u>\$ 114,669</u>

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**D. Capital Assets (Continued)**

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

**Governmental Activities:**

Instruction

Regular	\$ 33,556
Special Education	2,925
School-Sponsored/Activities and Athletics	<u>5,021</u>
Total Instruction	<u>41,502</u>

Support Services

Student and Instruction Related Services	40,609
School Administrative Services	730
Central and Other Support Services	133,096
Plant Operations and Maintenance	786,656
Pupil Transportation	<u>55,871</u>
Total Support Services	<u>1,016,962</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 1,058,464</u>
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**Business-Type Activities:**

Food Service Fund	\$ 22,513
Knight Care Latch Key Program Fund	<u>7,594</u>

Total Depreciation Expense-Business-Type Activities	<u>\$ 30,107</u>
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**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

The composition of interfund balances as of June 30, 2018, is as follows:

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Payroll Agency Fund	\$ 178
General Fund	Summer Music Program Enterprise Fund	45
Food Service Fund	General Fund	50,761
Food Service Fund	Knight Care Latchkey Program Enterprise Fund	<u>11,960</u>
Total		<u>\$ 62,944</u>

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

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

**Interfund transfers**

	<u>Transfers In:</u>
	<u>General Fund</u>
Transfers Out:	
Knight Care Latchkey Program Enterprise Fund	1,391
Broadway Kids Summer Program Enterprise Fund	49
After School Enrichment Enterprise Fund	<u>148</u>
	<u>\$ 1,588</u>

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

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

**F. Leases**

**Operating Leases**

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

**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	\$ <u>472,919</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2019	\$ 127,892
2020	28,162
2021	28,162
2022	<u>5,995</u>
Total minimum lease payments	190,211
Less: amount representing interest	<u>(5,272)</u>
Present value of minimum lease payments	\$ <u>184,939</u>

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2018 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% \$1,290,000

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>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,290,000</u>	<u>\$ 77,000</u>	<u>\$ 1,367,000</u>

**Statutory Borrowing Power**

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2018 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 73,101,215
Less: Net Debt Issued	<u>1,290,000</u>
Remaining Borrowing Power	<u>\$ 71,811,215</u>

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable	\$ 1,725,000		\$ 435,000	\$ 1,290,000	\$ 435,000
Add:					
Unamortized Premium	53,207	-	18,336	34,871	-
Total Bonds Payable	1,778,207	-	453,336	1,324,871	435,000
Capital Leases Payable	305,993		121,054	184,939	123,967
Compensated Absences Payable	416,735	\$ 157,434	137,996	436,173	
Net Pension Liability	15,308,376	-	3,753,922	11,554,454	-
Governmental Activities Long-Term Liabilities	<u>\$ 17,809,311</u>	<u>\$ 157,434</u>	<u>\$ 4,466,308</u>	<u>\$ 13,500,437</u>	<u>\$ 558,967</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 or Group). 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, 2018**

**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 funds 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	\$ 45,000	\$ 36,376	\$ 49,372	\$ 55,571
2017	35,000	35,931	41,214	23,349
2016	45,000	33,466	108,884	(6,455)

**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, 2018, 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, 2018, 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, 2018**

**NOTE 4 OTHER INFORMATION (Continued)**

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

**Plan Descriptions and Benefits Provided**

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. PERS is a cost sharing multiple employer defined benefit pension plan.

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

**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. TPAF is a cost sharing multiple employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions.

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (Continued)**

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

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

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represent the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement for his/her respective tier. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

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.

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

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

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

**Other Pension Funds (Continued)**

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 ("Division"), issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Plan Amendments**

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

**Measurement Focus and Basis of Accounting**

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**Investment Valuation**

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investments are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The 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.us/treasury/doinvest](http://www.state.nj.us/treasury/doinvest).

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (Continued)**

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

**Funding Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 33 percent with an unfunded actuarial accrued liability of \$90.90 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 25.41 percent and \$67.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 48.10 percent and \$23.3 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, 2016 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 7.00 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.

**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 7.34% for PERS, 7.34% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2018.

**Annual Pension Costs (APC)**

For the fiscal year ended June 30, 2018 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (Continued)**

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

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

During the fiscal years ended June 30, 2018, 2017 and 2016 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, 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 June 30,	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2017	\$ 459,824	\$ 1,979,507	\$ 27,070
2017	459,185	1,459,377	23,129
2016	420,753	1,058,012	12,175

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$9,674 and \$3,746, respectively for PERS and the State contributed \$3,795 and \$4,689, respectively 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 Statement No. 85, *Omnibus 2017* (GASB No. 85). 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 \$1,040,219 during the fiscal year ended June 30, 2018 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. 85.

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

**Public Employees Retirement System (PERS)**

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits (“Division”) administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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)**

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2017.

At June 30, 2018, the District reported in the statement of net position (accrual basis) a liability of \$11,554,454 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the District's proportionate share was .04963 percent, which was a decrease of .00206 percent from its proportionate share measured as of June 30, 2016 of .05169 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$950,600 for PERS. The pension contribution made by the District during the current 2017/2018 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2018 with a measurement date of the prior fiscal year end of June 30, 2017. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2018 for contributions made subsequent to the current fiscal year end. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 272,068	
Changes of Assumptions	2,327,824	\$ 2,319,290
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	78,678	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>599,792</u>	<u>365,671</u>
Total	<u>\$ 3,278,362</u>	<u>\$ 2,684,961</u>

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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)**

At June 30, 2018, 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:

Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ 397,062
2020	532,407
2021	321,431
2022	(365,639)
2023	(291,860)
Thereafter	<u>-</u>
	<u>\$ 593,401</u>

***Actuarial Assumptions***

The District's total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<u>PERS</u>
Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
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, 2016 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  
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**NOTE4 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
Buyouts/Venture Capital	8.25%	13.08%

***Discount Rate***

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

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	5.00%
2017	June 30, 2016	3.98%



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

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

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

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

***Discount Rate (Continued)***

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

Period of Projected Benefit

Payments for which the Following  
Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

\* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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 District's proportionate share of the PERS net pension liability calculated using the discount rate of 5.00%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
District's Proportionate Share of the PERS Net Pension Liability	\$ <u>14,334,084</u>	\$ <u>11,554,454</u>	\$ <u>9,238,677</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2017. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

***Pension Plan Fiduciary Net Position***

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

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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)**

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity, 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, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$6,060,091 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. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the District is \$87,478,841. 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, 2017. At June 30, 2017, the state's share of the net pension liability attributable to the District was .12974 percent, which was a decrease of .00241 percent from its proportionate share measured as of June 30, 2016 of .13215 percent.

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

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

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

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

**Actuarial Assumptions**

The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	<u>TPAF</u>
Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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, 2016 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  
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**NOTE 4 OTHER INFORMATION (Continued)**

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

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

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

**Long-Term Expected Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	4.25%
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, 2036
Municipal Bond Rate *	From July 1, 2036 and Thereafter

\* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

*Sensitivity of Net Pension Liability*

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.25%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	<b>1% Decrease (3.25%)</b>	<b>Current Discount Rate (4.25%)</b>	<b>1% Increase (5.25%)</b>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	\$ 103,927,607	\$ 87,478,841	\$ 73,928,276

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2017. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2017 was not provided by the pension system.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (Continued)**

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

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

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

***Pension Plan Fiduciary Net Position***

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

**E. Post-Retirement Medical Benefits**

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

**Plan Description and Benefits Provided**

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

**State Health Benefit Program Fund – Local Education Retired** (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) 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 employer 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.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

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

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (Continued)**

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

**Plan Membership**

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2016:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u>          -</u>
 Total	 <u>366,078</u>

**Measurement Focus and Basis of Accounting**

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

**Investment Valuation**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Funded Status and Funding Progress**

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$69.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.5 billion for state active and retired members and \$43.8 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.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (Continued)**

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

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

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the 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, 2016, 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.

**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, 2017, there were 112,966, retirees receiving post-retirement medical benefits and the State contributed \$1.39 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 \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

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, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2018, 2017 and 2016 were \$1,278,521, \$1,215,992 and \$1,259,799, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.



**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (Continued)**

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

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State’s contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District’s proportionate share percentage determined under Statement No. 75 is zero percent and the State’s proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$4,413,146. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State’s proportionate share of the OPEB liability attributable to the District is \$61,966,794. The nonemployer allocation percentages are based on the ratio of the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state’s share of the OPEB liability attributable to the District was .11552 percent, which was an increase of .00047 percent from its proportionate share measured as of June 30, 2016 of .11505 percent.

**Actuarial Assumptions**

The OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	RP-2014 Headcount-Weighted Healthy Employee, Healthy Annuitant and Disabled Male/Female Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year Using Scale MP-2017
Long-Term Rate of Return	1.00%

\*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

**NEW MILFORD BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (Continued)**

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

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

**Actuarial Assumptions (Continued)**

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the TPAF and PERS actuarial experience studies for the period July 1, 2012 to June 30, 2015 and July 1, 2011 to June 30, 2014, respectively.

**Long-Term Expected Rate of Return**

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

**Discount Rate**

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

<b><u>Fiscal Year</u></b>	<b><u>Measurement Date</u></b>	<b><u>Discount Rate</u></b>
2018	June 30, 2017	3.58%
2017	June 30, 2016	2.85%

The discount rate represents the municipal bond return rate as chosen by the Division. 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (Continued)**

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

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

**Changes in the Total OPEB Liability**

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2016 Measurement Date	\$ <u>66,535,117</u>
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 3,316,095
Interest on the Total OPEB Liability	1,955,197
Changes of Assumptions	(8,186,710)
Gross Benefit Payments	(1,716,096)
Contributions from the Member	<u>63,191</u>
<b>Net Changes</b>	<b>\$ <u>(4,568,323)</u></b>
Balance, June 30, 2017 Measurement Date	<u>\$ 61,966,794</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2017 was not provided by the pension system.

**Sensitivity of OPEB Liability**

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.58%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ <u>73,559,055</u>	\$ <u>61,966,794</u>	\$ <u>52,771,702</u>

**NEW MILFORD BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 4 OTHER INFORMATION (Continued)**

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

**OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

**Sensitivity of OPEB Liability (Continued)**

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.* The following presents the State’s proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<b><u>1%</u> <u>Decrease</u></b>	<b>Healthcare Cost Trend <u>Rates</u></b>	<b><u>1%</u> <u>Increase</u></b>
Total OPEB Liability (School Retirees)	\$ <u>50,961,698</u>	\$ <u>61,966,794</u>	\$ <u>76,581,432</u>

The sensitivity analyses were based on the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017. Sensitivity analyses specific to the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 were not provided by the pension system.

**F. Tax Abatements**

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential school tax revenue must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district’s local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For New Milford Board of Education, the District’s share of abated taxes resulting from the municipality having entered into a tax abatement agreement is indeterminate.

**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, 2018**

EXHIBIT C-1

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
<b>REVENUES</b>					
<b>Local Sources</b>					
Property Taxes	\$ 32,368,991		\$ 32,368,991	\$ 32,368,991	
Tuition from Individuals				6,721	\$ 6,721
Tuition from Other LEAs Within the State	639,323		639,323	729,067	89,744
Transportation Fees from Other LEA's	14,010		14,010	21,786	7,776
Interest				24,573	24,573
Interest Earned on Current Expense Emergence Reserve	675		675	675	
Interest Earned on Maintenance Reserve	275		275	469	194
Interest Earned on Capital Reserve	250		250	753	503
Miscellaneous	23,477	-	23,477	78,592	55,115
<b>Total Local Sources</b>	<b>33,047,001</b>	<b>-</b>	<b>33,047,001</b>	<b>33,231,627</b>	<b>184,626</b>
<b>State Sources</b>					
Special Education Aid	1,294,330		1,294,330	1,294,330	
Equalization Aid	312,017	\$ 76,552	388,569	388,569	
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	823,295	373,295
Nonpublic Transportation Aid				59,028	59,028
Lead Testing for Schools Aid				2,600	2,600
TPAF Pension - Normal Cost (Non-Budget)				1,932,607	1,932,607
TPAF Pension - NCGI Premium (Non-Budget)				46,900	46,900
TPAF Post Retirement Medical Contribution (Non-Budget)				1,278,521	1,278,521
TPAF Long Term Disability Insurance (Non-Budget)				3,795	3,795
TPAF Social Security Reimbursements (Non-Budget)	-	-	-	1,040,219	1,040,219
<b>Total State Sources</b>	<b>2,246,368</b>	<b>76,552</b>	<b>2,322,920</b>	<b>7,059,885</b>	<b>4,736,965</b>
<b>Federal Sources</b>					
Medicaid Reimbursement	19,031	-	19,031	15,058	(3,973)
<b>Total Federal Sources</b>	<b>19,031</b>	<b>-</b>	<b>19,031</b>	<b>15,058</b>	<b>(3,973)</b>
<b>Total Revenues</b>	<b>35,312,400</b>	<b>76,552</b>	<b>35,388,952</b>	<b>40,306,570</b>	<b>4,917,618</b>
<b>EXPENDITURES</b>					
<b>CURRENT</b>					
<b>Instruction - Regular Programs</b>					
<b>Salaries of Teachers</b>					
Kindergarten	432,720	105,553	538,273	532,715	5,558
Grades 1-5	3,036,279	(179,971)	2,856,308	2,805,539	50,769
Grades 6-8	2,158,604	39,306	2,197,910	2,170,895	27,015
Grades 9-12	3,220,518	(47,440)	3,173,078	3,166,254	6,824
<b>Regular Programs - Home Instruction</b>					
Salaries of Teachers	6,000		6,000	1,160	4,840
Purchased Professional/Educational Services	10,000		10,000	8,395	1,605
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	20,000	380	20,380	12,560	7,820
Purchased Professional/Educational Services	8,650	3,189	11,839	10,310	1,529
Purchased Technical Services	20,000	14,439	34,439	34,312	127
Other Purchased Services	87,296	1,274	88,570	88,322	248
General Supplies	538,475	110,844	649,319	595,841	53,478
Textbooks	151,298	(42,699)	88,599	74,771	13,828
Other Objects	28,200	2,014	30,214	23,686	6,528
<b>Total Regular Programs</b>	<b>9,698,040</b>	<b>6,889</b>	<b>9,704,929</b>	<b>9,524,760</b>	<b>180,169</b>

NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES (Continued)</b>					
<b>CURRENT (Continued)</b>					
<b>Learning and/or Language Disabilities</b>					
Salaries of Teachers	\$ 192,596	\$ (63,965)	\$ 128,631	\$ 126,934	\$ 1,697
Other Salaries for Instruction	155,261	4,428	159,689	156,883	2,806
General Supplies	6,534	(353)	6,181	3,268	2,913
Textbooks	3,378	-	3,378	1,269	2,109
<b>Total Learning and/or Language Disabilities</b>	<b>357,769</b>	<b>(59,890)</b>	<b>297,879</b>	<b>288,354</b>	<b>9,525</b>
<b>Multiple Disabilities</b>					
Salaries of Teachers	63,308	113,609	176,917	176,624	293
Other Salaries for Instruction	71,453	5,345	76,798	76,798	
General Supplies	15,300	762	16,062	7,347	8,715
Textbooks	250		250		250
Other Objects	10,000	37	10,037	6,142	3,895
<b>Total Multiple Disabilities</b>	<b>160,311</b>	<b>119,753</b>	<b>280,064</b>	<b>266,911</b>	<b>13,153</b>
<b>Resource Room/Resource Center</b>					
Salaries of Teachers	1,363,992	(80,916)	1,283,076	1,276,146	6,930
Other Salaries for Instruction	185,501	(27,097)	158,404	149,814	8,590
Purchased Professional/Educational Services		70,539	70,539	40,804	29,735
General Supplies	16,526	8,526	25,052	13,768	11,284
Textbooks	9,881	(2,208)	7,673	4,766	2,907
<b>Total Resource Room/Resource Center</b>	<b>1,575,900</b>	<b>(31,156)</b>	<b>1,544,744</b>	<b>1,485,298</b>	<b>59,446</b>
<b>Autism</b>					
Salaries of Teachers	257,365	(2,383)	254,982	252,219	2,763
Other Salaries for Instruction	400,260	62,566	462,826	462,031	795
General Supplies	4,500	(119)	4,381	4,187	194
<b>Total Autism</b>	<b>662,125</b>	<b>60,064</b>	<b>722,189</b>	<b>718,437</b>	<b>3,752</b>
<b>Preschool Disabilities - Part-Time</b>					
Salaries of Teachers	77,294	1,700	78,994	77,887	1,107
Other Salaries for Instruction	67,919	(23,700)	44,219	35,215	9,004
<b>Total Preschool Disabilities - Part-Time</b>	<b>145,213</b>	<b>(22,000)</b>	<b>123,213</b>	<b>113,102</b>	<b>10,111</b>
<b>Preschool Disabilities - Full-Time</b>					
Salaries of Teachers	64,178	5,719	69,897	64,889	5,008
Other Salaries for Instruction	221,520	40,069	261,589	261,589	
General Supplies	-	194	194	194	-
<b>Total Preschool Disabilities - Full-Time</b>	<b>285,698</b>	<b>45,982</b>	<b>331,680</b>	<b>326,672</b>	<b>5,008</b>
<b>Home Instruction</b>					
Salaries of Teachers	1,200	2,620	3,820	3,220	600
<b>Total Home Instruction</b>	<b>1,200</b>	<b>2,620</b>	<b>3,820</b>	<b>3,220</b>	<b>600</b>
<b>Total Special Education</b>	<b>3,188,216</b>	<b>115,373</b>	<b>3,303,589</b>	<b>3,201,994</b>	<b>101,595</b>
<b>Basic Skills/Remedial</b>					
Salaries of Teachers	171,206	18,927	190,133	188,790	1,343
General Supplies	1,000	-	1,000	-	1,000
<b>Total Basic Skills/Remedial</b>	<b>172,206</b>	<b>18,927</b>	<b>191,133</b>	<b>188,790</b>	<b>2,343</b>
<b>Bilingual Education</b>					
Salaries of Teachers	187,990	(2,242)	185,748	182,958	2,790
General Supplies	1,000	(510)	490	-	490
<b>Total Bilingual Education</b>	<b>188,990</b>	<b>(2,752)</b>	<b>186,238</b>	<b>182,958</b>	<b>3,280</b>



NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES (Continued)</b>					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
School Sponsored Co/Extra Curricular Activities					
Salaries	\$ 188,487	\$ 3,620	\$ 192,107	\$ 172,735	\$ 19,372
Purchased Services	10,200	1,246	11,446	10,059	1,387
Supplies and Materials	17,350	780	18,130	14,596	3,534
Other Objects	3,400	3,081	6,481	4,846	1,635
Total School Sponsored Co/Extra Curricular Activities	219,437	8,727	228,164	202,236	25,928
School Sponsored Athletics					
Salaries	420,383	6,600	426,983	415,687	11,296
Purchased Services	175,525	(24,682)	150,843	150,172	671
Supplies and Materials	54,600	8,526	63,126	60,241	2,885
Other Objects	10,200	-	10,200	7,787	2,413
Total School Sponsored Athletics	660,708	(9,556)	651,152	633,887	17,265
Instructional Alternative Ed Prog - Instruction					
Salaries	-	29,700	29,700	22,150	7,550
Total Instructional/Alternative Ed Prog - Instruction	-	29,700	29,700	22,150	7,550
Community Services Programs/Operations					
Salaries	-	12,262	12,262	12,262	-
Total Community Services Programs/Operations	-	12,262	12,262	12,262	-
Total Instruction	14,127,597	179,570	14,307,167	13,969,037	338,130
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs w/i State - Special	682,585	(79,743)	602,842	597,153	5,689
Tuition to County Voc. School Dist.-Regular	348,048	(18,048)	330,000	288,116	41,884
Tuition to County Voc. School Dist.- Special	149,256	-	149,256	101,729	47,527
Tuition to CSSD & Reg. Day Schools	121,600	4,360	125,960	125,960	-
Tuition to Priv. Sch. Disabled - Within State	921,095	(52,887)	868,208	783,526	84,682
Total Undistributed Expenditures - Instruction	2,222,584	(146,318)	2,076,266	1,896,484	179,782
Attendance and Social Work					
Salaries	106,706	1,555	108,261	108,261	-
Purchased Professional and Technical Services	41,500	(16,324)	25,176	25,176	-
Other Purchased Services	2,500	4,000	6,500	3,903	2,597
Supplies and Materials	1,000	-	1,000	769	231
Total Attendance and Social Work	151,706	(10,769)	140,937	138,109	2,828
Health Services					
Salaries	327,867	(27,881)	299,986	298,767	1,219
Purchased Professional and Technical Services	25,425	(3,098)	22,327	20,897	1,430
Other Purchased Services	1,000	(2)	998	65	933
Supplies and Materials	4,950	1,198	6,148	5,974	174
Other Objects	-	-	-	-	-
Total Health Services	359,242	(29,783)	329,459	325,703	3,756
Speech, OT, PT & Related Serv.					
Salaries	336,704	4,950	341,654	341,654	-
Purchased Professional/Educational Services	129,900	88,299	218,199	181,421	36,778
Supplies and Materials	1,050	86	1,136	1,086	50
Total Speech, OT, PT, & Related Serv.	467,654	93,335	560,989	524,161	36,828
Other Support Services - Students - Extra Serv.					
Salaries	726,566	(88,788)	637,778	628,835	8,943
Purchased Professional/Educational Services	329,500	52,680	382,180	328,657	53,523
Total Other Supp.Serv. Student - Extra Serv.	1,056,066	(36,108)	1,019,958	957,492	62,466

NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES (Continued)</b>					
<b>CURRENT (Continued)</b>					
Undistributed Expenditures (Continued)					
Guidance					
Salaries of Other Professional Staff	\$ 511,037	\$ 5,144	\$ 516,181	\$ 514,923	\$ 1,258
Salaries of Secretarial & Clerical Assistants	42,570	125	42,695	42,527	168
Purchased Professional-Educational Services	500	(285)	215	215	-
Other Purchased Professional and Technical Svs.	7,950	-	7,950	7,169	781
Other Purchased Services	300	114	414	114	300
Supplies and Materials	7,205	(263)	6,942	4,128	2,814
Other Objects	1,000	-	1,000	990	10
<b>Total Guidance</b>	<b>570,562</b>	<b>4,835</b>	<b>575,397</b>	<b>569,851</b>	<b>5,546</b>
Child Study Team					
Salaries of Other Professional Staff	738,947	73,006	811,953	803,419	8,534
Salaries of Secretarial & Clerical Assistants	139,132	(1,037)	138,095	137,743	352
Purchased Professional-Educational Services	52,000	(450)	51,550	47,372	4,178
Other Purchased Services	4,900	1,274	5,274	3,735	1,539
Supplies and Materials	24,025	(335)	23,690	19,064	4,626
Other Objects	1,660	681	2,341	2,341	-
<b>Total Child Study Team</b>	<b>959,764</b>	<b>73,139</b>	<b>1,032,903</b>	<b>1,013,674</b>	<b>19,229</b>
Educational Media/School Library					
Salaries	202,720	5,773	208,493	208,401	92
Salaries of Technology Coordinators	128,696	400	129,096	129,069	27
Purchased Professional and Technical Services	7,400	(3,350)	4,050	2,637	1,413
Other Purchased Services	-	236	236	236	-
Supplies and Materials	60,340	4,300	64,640	63,296	1,344
Other Objects	200	-	200	-	200
<b>Total Educational Media/School Library</b>	<b>399,356</b>	<b>7,359</b>	<b>406,715</b>	<b>403,639</b>	<b>3,076</b>
Instructional Staff Training Services					
Salaries of Other Professional Staff	9,350	(6,100)	3,250	3,250	-
Purchased Professional-Educational Services	28,400	12,300	40,700	38,259	2,441
Other Purchased Services	14,700	(1,377)	13,323	5,811	7,512
<b>Total Instructional Staff Training Services</b>	<b>52,450</b>	<b>4,823</b>	<b>57,273</b>	<b>47,320</b>	<b>9,953</b>
Support Services General Administration					
Salaries	404,761	38,331	443,092	443,092	-
Legal Services	70,000	30,000	100,000	77,128	22,872
Audit Fees	30,000	30,765	60,765	29,515	31,250
Architectural / Engineering Services	30,000	(12,831)	17,169	12,966	4,203
Other Purchased Professional Services	6,000	-	6,000	5,924	76
Purchased Technical Services	1,000	3,623	4,623	4,189	434
Communications/Telephone	55,200	28,508	83,708	77,026	6,682
BOE Other Purchased Services	5,300	4,225	9,525	8,401	1,124
Miscellaneous Purchased Services	25,432	12,873	38,305	37,851	454
General Supplies	5,410	(703)	4,707	4,707	-
BOE In-House Training/Meeting Supplies	900	(325)	575	428	147
Judgements Against District	30,000	(30,000)	-	-	-
Miscellaneous Expenditures	4,525	(312)	4,213	4,213	-
BOE Membership Dues and Fees	13,000	(224)	12,776	12,776	-
<b>Total Support Services General Administration</b>	<b>681,528</b>	<b>103,930</b>	<b>785,458</b>	<b>718,216</b>	<b>67,242</b>
Support Services School Administration					
Salaries of Principals/Asst. Principals/Prog Director	755,756	68,500	824,256	823,840	416
Salaries of Other Professional Staff	661,760	101,965	763,725	730,435	33,290
Salaries of Secretarial and Clerical Assistants	386,618	3,090	389,708	387,894	1,814
Other Purchased Services	14,050	7,663	21,713	21,478	235
Supplies and Materials	38,375	(3,102)	35,273	27,534	7,739
Other Objects	13,559	670	14,229	11,839	2,390
<b>Total Support Services School Administration</b>	<b>1,870,118</b>	<b>178,786</b>	<b>2,048,904</b>	<b>2,003,020</b>	<b>45,884</b>

NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES (Continued)</b>					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Undistributed Expenditures - Central Services					
Salaries	\$ 442,796	\$ 978	\$ 443,774	\$ 438,329	\$ 5,445
Purchased Professional Services	5,000	(1,347)	3,653	1,235	2,418
Purchased Technical Services	23,128	1,347	24,475	24,475	
Misc. Purchased Services	6,000		6,000	5,991	9
Supplies and Materials	4,270	(1,039)	3,231	2,049	1,182
Interest on Lease Purchase Agreements	10,000	(10,000)			
Miscellaneous Expenditures	1,750	-	1,750	1,530	220
<b>Total Undistributed Expenditures - Central Services</b>	<b>492,944</b>	<b>(10,061)</b>	<b>482,883</b>	<b>473,609</b>	<b>9,274</b>
Undistributed Expenditures - Admin. Info. Tech.					
Salaries	197,780	9,940	207,720	207,081	639
Purchased Professional Services	5,000		5,000	5,000	
Purchased Technical Services	17,550	3,105	20,655	19,830	825
Other Purchased Services	49,000	109,932	158,932	158,027	905
Supplies and Materials	78,270	(28,801)	49,469	46,710	2,759
<b>Total Undistributed Expenditures - Admin. Info. Tech.</b>	<b>347,600</b>	<b>94,176</b>	<b>441,776</b>	<b>436,648</b>	<b>5,128</b>
Required Maintenance for School Facilities					
Salaries	362,561	(3,955)	358,606	352,224	6,382
Cleaning, Repair and Maintenance Services	124,060	146,127	270,187	224,923	45,264
General Supplies	95,760	51,365	147,125	141,756	5,369
<b>Total Required Maintenance for School Facilities</b>	<b>582,381</b>	<b>193,537</b>	<b>775,918</b>	<b>718,903</b>	<b>57,015</b>
Custodial Services					
Salaries	1,142,665	(26,587)	1,116,078	1,064,156	51,922
Salaries of Non-Instructional Aides	145,798	(11,638)	134,160	123,692	10,468
Purchased Professional-Technical Services	37,790	(9,930)	27,860	13,137	14,723
Cleaning, Repair and Maintenance Services	128,635	7,818	136,453	130,896	5,557
Rental of Land and Bldg Other than Lease Purch. Agmt.	36,000		36,000	35,903	97
Other Purchased Property Services	40,100	4,225	44,325	42,211	2,114
Insurance	272,700	(14,511)	258,189	258,189	
Miscellaneous Purchased Services	8,200	(4,589)	3,611	1,178	2,433
General Supplies	88,320	10,125	98,445	94,281	4,164
Energy (Natural Gas)	247,800	-	247,800	219,920	27,880
Energy (Electricity)	365,000	(9,000)	356,000	269,274	86,726
Energy (Gasoline)	6,000	410	6,410	6,410	
Other Objects	350	-	350	325	25
<b>Total Custodial Services</b>	<b>2,519,358</b>	<b>(53,677)</b>	<b>2,465,681</b>	<b>2,259,572</b>	<b>206,109</b>
Care and Upkeep of Grounds					
Salaries	151,587	1,609	153,196	143,842	9,354
Cleaning, Repair and Maintenance Services	109,700	(58,845)	50,855	23,510	27,345
General Supplies	23,000	19,354	42,354	37,752	4,602
<b>Total Care and Upkeep of Grounds</b>	<b>284,287</b>	<b>(37,882)</b>	<b>246,405</b>	<b>205,104</b>	<b>41,301</b>
Security					
Purchased Professional-Technical Services	153,900	20,000	173,900	173,170	730
Cleaning, Repair and Maintenance Services	58,500	10,140	68,640	63,325	5,315
<b>Total Security</b>	<b>212,400</b>	<b>30,140</b>	<b>242,540</b>	<b>236,495</b>	<b>6,045</b>

NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES (Continued)</b>					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Student Transportation Services					
Salaries of Non-Instructional Aides	\$ 70,320	\$ (6,927)	\$ 63,393	\$ 53,182	\$ 10,211
Salaries for Pupil Transportation (Between Home and School) - Regular	44,494	2,239	46,733	46,733	
Salaries for Pupil Transportation (Between Home and School) - Spec. Ed.	82,156	8,687	90,843	90,843	
Salaries for Pupil Transportation (Other Than Between Home and School)	151,860	1,000	152,860	144,629	8,231
Other Purchased Professional and Technical Svs.	7,250		7,250	1,482	5,768
Cleaning, Repair and Maintenance Services	20,000	(1,000)	19,000	17,832	1,168
Lease Purchase Payment - School Buses	55,000	(367)	54,633	53,821	812
Contracted Services - Aid in Lieu of Payments-Nonpublic Schools	187,408	22,864	210,272	198,772	11,500
Contracted Services - Aid in Lieu of Payments - Choice Sch. Students	884	(884)			
Contracted Services (Between Home and School) - Vendors	18,800		18,800	18,800	
Contracted Services (Other Than Between Home and School) - Vendors	21,500	(895)	20,605	13,445	7,160
Contracted Services (Between Home and School) - Joint Agreement	2,700		2,700	900	1,800
Contracted Services (Special Ed Students) - Joint Agreement	65,000		65,000	33,975	31,025
Contracted Services (Reg. Students) - ESCs & CTSA's	73,000	(5,021)	67,979	29,446	38,533
Contracted Serv. (Spl. Ed. Students)- ESCs & CTSA's	310,000	(6,617)	303,383	211,360	92,023
General Supplies	450	6,390	6,840	5,298	1,542
Transportation Supplies	30,000	(1,773)	28,227	15,550	12,677
Other Objects	2,150	-	2,150	2,020	130
<b>Total Student Transportation Services</b>	<b>1,142,972</b>	<b>17,696</b>	<b>1,160,668</b>	<b>938,088</b>	<b>222,580</b>
Unallocated Benefits- Employee Benefits					
Group Insurance	8,000	4,046	12,046	9,789	2,257
Social Security Contributions	540,000	50,502	590,502	539,032	51,470
Other Retirement Contributions - PERS	520,000	(44,902)	475,098	469,498	5,600
Other Retirement Contributions - Regular	15,000	12,070	27,070	27,070	
Unemployment Compensation	45,000		45,000	45,000	
Workmen's Compensation	175,000	(48,003)	126,997	123,257	3,740
Health Benefits	5,883,672	(66,248)	5,817,424	5,665,718	151,706
Tuition Reimbursement	69,900	1	69,901	43,201	26,700
Other Employee Benefits	192,800	(21,068)	171,732	165,201	6,531
Unused Sick Payment to Terminated/Retired Staff	-	81,550	81,550	14,490	67,060
<b>Total Unallocated Benefits</b>	<b>7,449,372</b>	<b>(32,052)</b>	<b>7,417,320</b>	<b>7,102,256</b>	<b>315,064</b>
On-Behalf (Non-Budget)					
TPAF Pension - Normal Cost (Non-Budget)				1,932,607	(1,932,607)
TPAF Pension - NCGI Premium (Non-Budget)				46,900	(46,900)
TPAF Post Retirement Medical Contribution (Non-Budget)				1,278,521	(1,278,521)
TPAF Long Term Disability Insurance (Non-Budget)				3,795	(3,795)
TPAF Social Security Reimbursements (Non-Budget)	-	-	-	1,040,219	(1,040,219)
<b>Total On-Behalf</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,302,042</b>	<b>(4,302,042)</b>
<b>Total Undistributed Expenditures</b>	<b>21,822,344</b>	<b>445,106</b>	<b>22,267,450</b>	<b>25,270,386</b>	<b>(3,002,936)</b>
Interest Earned on Maintenance Reserve	275	-	275	-	275
Interest Earned on Current Expense Emergency Reserve	675	-	675	-	675
<b>Total Current Expenditures</b>	<b>35,950,891</b>	<b>624,676</b>	<b>36,575,567</b>	<b>39,239,423</b>	<b>(2,663,856)</b>

NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
<b>EXPENDITURES (Continued)</b>					
<b>CAPITAL OUTLAY</b>					
Equipment					
Regular Programs - Instruction					
Grades 1-5	\$ 22,000	\$ (22,000)			
Grades 6-8	17,600	(17,600)			
Grades 9-12	15,000	(11,500)	\$ 3,500	\$ 3,500	
School Sponsored and Other Instructional Programs Undistributed		9,677	9,677	9,677	
Instruction	72,000		72,000	71,605	\$ 395
Admin. Info. Tech.	12,600		12,600	6,237	6,363
Required Maintenance for School Facilities		20,796	20,796	20,796	
Custodial Services		19,296	19,296	19,296	
Care and Upkeep of Grounds	-	21,458	21,458	21,458	-
<b>Total Equipment</b>	<b>139,200</b>	<b>20,127</b>	<b>159,327</b>	<b>152,569</b>	<b>6,758</b>
Facilities Acquisition and Construction Services					
Construction Services		93,000	93,000	76,000	17,000
Lease Purchase Agreements - Principal	80,000	(80,000)			
Assessment for Debt Service on SDA Funding	40,094	-	40,094	40,094	-
<b>Total Facilities Acquisition and Construction Services</b>	<b>120,094</b>	<b>13,000</b>	<b>133,094</b>	<b>116,094</b>	<b>17,000</b>
Interest Deposit to Capital Reserve	250	-	250	-	250
<b>Total Capital Outlay</b>	<b>259,544</b>	<b>33,127</b>	<b>292,671</b>	<b>268,663</b>	<b>24,008</b>
Transfer of Funds to Charter Schools	15,000	-	15,000	-	15,000
<b>Total General Fund</b>	<b>36,225,435</b>	<b>657,803</b>	<b>36,883,238</b>	<b>39,508,086</b>	<b>(2,624,848)</b>
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(913,035)	(581,251)	(1,494,286)	798,484	2,292,770
Other Financing Sources (Uses)					
Transfers In - Enterprise Funds	-	-	-	1,588	1,588
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,588</b>	<b>1,588</b>

NEW MILFORD BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

EXHIBIT C-1

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources (Uses)	\$ (913,035)	\$ (581,251)	\$ (1,494,286)	\$ 800,072	\$ 2,294,358
Fund Balance, Beginning of Year	3,699,915	-	3,699,915	3,699,915	-
Fund Balance, End of Year	<u>\$ 2,786,880</u>	<u>\$ (581,251)</u>	<u>\$ 2,205,629</u>	<u>\$ 4,499,987</u>	<u>\$ 2,294,358</u>

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

Restricted Fund Balance	
Capital Reserve	\$ 611,411
Maintenance Reserve	319,405
Emergency Reserve	285,874
Excess Surplus (2019/20 Budget)	953,538
Excess Surplus - Designated for Subsequent Year's Budget (2018/19 Budget)	870,610
Committed Fund Balance	
Year End Encumbrances	31,250
Assigned Fund Balance	
Designated for Subsequent Year's Budget (2018/19 Budget)	100,000
Year End Encumbrances	191,455
Unassigned Fund Balance	<u>1,136,444</u>
Fund Balance- Budgetary Basis	4,499,987
Less: State Aid Revenue not recognized on GAAP basis	<u>(981,112)</u>
Fund Balance per Governmental Funds Statements (GAAP)	<u>\$ 3,518,875</u>

**NEW MILFORD BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Intergovernmental					
State	\$ 462,393	\$ (9,818)	\$ 452,575	\$ 365,437	\$ (87,138)
Federal	859,003	(22,473)	836,530	700,709	(135,821)
Local	-	67,220	67,220	38,563	(28,657)
Total Revenues	<u>1,321,396</u>	<u>34,929</u>	<u>1,356,325</u>	<u>1,104,709</u>	<u>(251,616)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers		244,339	244,339	211,785	32,554
Purchased Professional/Technical Services	380,433	(194,118)	186,315	123,757	62,558
Other Purchased Services	887,191	(545,595)	341,596	274,854	66,742
General Supplies		193,437	193,437	162,976	30,461
Textbooks	36,601	(2,746)	33,855	32,578	1,277
Other Objects	-	23,787	23,787	16,310	7,477
Total Instruction	<u>1,304,225</u>	<u>(280,896)</u>	<u>1,023,329</u>	<u>822,260</u>	<u>201,069</u>
Support Services					
Salaries of Teachers		8,400	8,400	6,592	1,808
Salaries of Other Professional Staff	-	61,000	61,000	51,850	9,150
Purchased Professional/Technical Services		42,373	42,373	37,778	4,595
Other Purchased Services		78,873	78,873	71,557	7,316
Supplies and Materials	-	49,058	49,058	33,826	15,232
Other Objects	-	5,398	5,398	1,400	3,998
Indirect Costs	-	4,290	4,290	2,448	1,842
Total Support Services	<u>-</u>	<u>249,392</u>	<u>249,392</u>	<u>205,451</u>	<u>43,941</u>
Unallocated Benefits					
Employee Benefits	-	65,868	65,868	63,853	2,015
Facilities Acquisition and Equipment					
Construction Services		3,115	3,115		3,115
Non-Instructional Equipment	17,171	(2,550)	14,621	13,145	1,476
Total Facilities Acquisition and Equipment	<u>17,171</u>	<u>565</u>	<u>17,736</u>	<u>13,145</u>	<u>4,591</u>
Total Expenditures	<u>1,321,396</u>	<u>34,929</u>	<u>1,356,325</u>	<u>1,104,709</u>	<u>251,616</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, 2018**

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.

	<b>General Fund</b>	<b>Special Revenue Fund</b>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedule	(C-1) \$ 40,306,570	(C-2) \$ 1,104,709
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, 2018		(2,712)
Encumbrances June 30, 2017		11,525
State Aid payments not recognized for budgetary purposes, recognized for GAAP statements. 2016/2017 State Aid	978,825	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements. 2017/2018 State Aid	<u>(981,112)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2) \$ <u>40,304,283</u>	(B-2) \$ <u>1,113,522</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 39,508,086	(C-2) \$ 1,104,709
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, 2018		(2,712)
Encumbrances June 30, 2017	<u>-</u>	<u>11,525</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>39,508,086</u>	(B-2) \$ <u>1,113,522</u>

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**PENSION AND OTHER POST-EMPLOYMENT BENEFITS 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 Five Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	.04963%	.05169%	0.04849%	0.04851%	0.04559%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 11,554,454</u>	<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>\$ 3,703,403</u>	<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	312.00%	461.12%	322.66%	281.59%	271.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	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 Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 459,824	\$ 459,185	\$ 420,753	\$ 399,988	\$ 347,694
Contributions in Relation to the Contractually Required Contribution	<u>459,824</u>	<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>	<u>\$ -</u>
District's Covered-Employee Payroll	<u>\$ 3,703,403</u>	<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	12.42%	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 Five Fiscal Years\*

	2018	2017	2016	2015	2014
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 87,478,841</u>	<u>\$ 103,954,407</u>	<u>\$ 80,628,389</u>	<u>\$ 65,249,801</u>	<u>\$ 63,067,602</u>
Total	<u>\$ 87,478,841</u>	<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>\$ 14,227,154</u>	<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%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	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, 2018**

**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.

**NEW MILFORD BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF  
TOTAL OPEB LIABILITY**

**POSTEMPLOYMENT HEALTH BENEFIT PLAN**

Last One Fiscal Year\*

	2018
<b>Total OPEB Liability</b>	
Service Cost	\$ 3,316,095
Interest on Total OPEB Liability	1,955,197
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	(8,186,710)
Gross Benefit Payments	(1,716,096)
Contribution from the Member	<u>63,191</u>
<b>Net Change in Total OPEB Liability</b>	(4,568,323)
<b>Total OPEB Liability - Beginning</b>	<u>66,535,117</u>
<b>Total OPEB Liability - Ending</b>	<u><u>61,966,794</u></u>
District's Proportionate Share of OPEB Liability	\$0
State's Proportionate Share of OPEB Liability	<u>61,966,794</u>
Total OPEB Liability - Ending	<u>\$ 61,966,794</u>
<b>District's Covered-Employee Payroll</b>	<u>\$ 17,930,557</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

\*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. 75. 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 CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY  
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Changes in Benefit Terms:**

None.

**Changes of Assumptions**

Assumptions used in calculating the OPEB liability are presented in Note 4E.



**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, 2018

REVENUES	NM Education Foundation	Other Local Grants	Ch. 192 Svcs.			Ch. 193 Svcs.			Total Page 2	Grand Total 2018
			Nonpublic Compensatory Education	Nonpublic ESL	Nonpublic Transport	Nonpublic Supplemental Instruction	Nonpublic Exam/ Classification	Nonpublic Corrective Speech		
Intergovernmental			\$ 51,202	\$ 20,416	\$ 15,575	\$ 31,877	\$ 41,902	\$ 37,497	\$ 166,968	\$ 365,437
State									700,709	700,709
Federal									-	-
Local Sources	\$ 8,385	\$ 30,178	-	-	-	-	-	-	-	38,563
<b>Total Revenues</b>	<b>\$ 8,385</b>	<b>\$ 30,178</b>	<b>\$ 51,202</b>	<b>\$ 20,416</b>	<b>\$ 15,575</b>	<b>\$ 31,877</b>	<b>\$ 41,902</b>	<b>\$ 37,497</b>	<b>\$ 867,677</b>	<b>\$ 1,104,709</b>
<b>EXPENDITURES</b>										
Instruction										
Salaries of Teachers		\$ 6,400					\$ 21,640	\$ 37,497	\$ 146,248	\$ 211,785
Purchased Professional & Technical Services			\$ 51,202	\$ 20,416		\$ 31,877	20,262		-	123,757
Other Purchased Services					\$ 15,575				259,279	274,854
General Supplies	\$ 8,385	8,516							146,075	162,976
Textbooks									32,578	32,578
Other Objects									16,310	16,310
<b>Total Instruction</b>	<b>8,385</b>	<b>14,916</b>	<b>51,202</b>	<b>20,416</b>	<b>15,575</b>	<b>31,877</b>	<b>41,902</b>	<b>37,497</b>	<b>600,490</b>	<b>822,260</b>
Support Services										
Salaries of Teachers									6,592	6,592
Salaries of Other Professional Staff									51,850	51,850
Personal Services Employee-Benefits									63,853	63,853
Purchased Professional & Technical Services									37,778	37,778
Other Purchased Services		277							71,280	71,557
Supplies and Materials		1,840							31,986	33,826
Other Objects									1,400	1,400
Indirect Costs									2,448	2,448
<b>Total Support Services</b>	<b>-</b>	<b>2,117</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>267,187</b>	<b>269,304</b>
Capital Outlay										
Non - Instructional Equipment		13,145								13,145
<b>Total Capital Outlay</b>	<b>-</b>	<b>13,145</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,145</b>
<b>Total Expenditures</b>	<b>\$ 8,385</b>	<b>\$ 30,178</b>	<b>\$ 51,202</b>	<b>\$ 20,416</b>	<b>\$ 15,575</b>	<b>\$ 31,877</b>	<b>\$ 41,902</b>	<b>\$ 37,497</b>	<b>\$ 867,677</b>	<b>\$ 1,104,709</b>

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(Continued)

NEW MILFORD BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Title I	Title II A	Title III	Title III Immigrant	IDEA Part B-Basic	IDEA Part B Preschool	Nonpublic Nursing	Nonpublic Textbooks	Nonpublic Security	Nonpublic Technology	Total
<b>REVENUES</b>											
Intergovernmental											
State											
Federal	\$ 163,452	\$ 39,902	\$ 22,693	\$ 3,667	\$ 444,861	\$ 26,134	\$ 64,311	\$ 32,578	\$ 49,149	\$ 20,930	\$ 166,968
Local Sources	-	-	-	-	-	-	-	-	-	-	700,709
	<u>\$ 163,452</u>	<u>\$ 39,902</u>	<u>\$ 22,693</u>	<u>\$ 3,667</u>	<u>\$ 444,861</u>	<u>\$ 26,134</u>	<u>\$ 64,311</u>	<u>\$ 32,578</u>	<u>\$ 49,149</u>	<u>\$ 20,930</u>	<u>\$ 867,677</u>
<b>EXPENDITURES</b>											
Instruction											
Salaries of Teachers	\$ 113,878		\$ 8,500	\$ 2,270	\$ 21,600						\$ 146,248
Purchased Professional & Technical Services											-
Other Purchased Services			595		194,373		\$ 64,311				259,279
General Supplies	7,450		10,233	1,238	39,996	\$ 17,079		\$ 49,149	\$ 20,930		146,075
Textbooks								\$ 32,578			32,578
Other Objects	-	-	-	-	12,335	3,975	-	-	-	-	16,310
Total Instruction	<u>121,328</u>	<u>-</u>	<u>19,328</u>	<u>3,508</u>	<u>268,304</u>	<u>21,054</u>	<u>64,311</u>	<u>32,578</u>	<u>49,149</u>	<u>20,930</u>	<u>600,490</u>
Support Services											
Salaries of Teachers	5,212	\$ 1,380									6,592
Salaries of Other Professional Staff					51,850						51,850
Personal Services Employee-Benefits	36,912		2,739		24,202						63,853
Purchased Professional & Technical Services		34,478				3,300					37,778
Other Purchased Services			626		68,874	1,780					71,280
Supplies and Materials		4,044		159	27,783						31,986
Other Objects					1,400						1,400
Indirect Costs	-	-	-	-	2,448	-	-	-	-	-	2,448
Total Support Services	<u>42,124</u>	<u>39,902</u>	<u>3,365</u>	<u>159</u>	<u>176,557</u>	<u>5,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,187</u>
Total Expenditures	<u>\$ 163,452</u>	<u>\$ 39,902</u>	<u>\$ 22,693</u>	<u>\$ 3,667</u>	<u>\$ 444,861</u>	<u>\$ 26,134</u>	<u>\$ 64,311</u>	<u>\$ 32,578</u>	<u>\$ 49,149</u>	<u>\$ 20,930</u>	<u>\$ 867,677</u>

**NEW MILFORD BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**CAPITAL PROJECTS FUND**

**EXHIBIT F-1**

**NEW MILFORD BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOT APPLICABLE**

**EXHIBIT F-2**

**SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
CAPITAL PROJECTS FUND  
FUND BALANCE - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOT APPLICABLE**

**PROPRIETARY FUNDS**



NEW MILFORD BOARD OF EDUCATION  
 ENTERPRISE FUNDS - NON-MAJOR  
 STATEMENT OF NET POSITION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Enterprise Funds			<u>Total</u>
	<u>Broadway Kids Summer Program</u>	<u>After School Enrichment Program</u>	<u>Summer Music Program</u>	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 13,645	\$ 28,384	-	\$ 42,029
Total Assets	<u>13,645</u>	<u>28,384</u>	<u>-</u>	<u>42,029</u>
<b>LIABILITIES</b>				
Current Liabilities				
Due to Other Funds			\$ 45	45
Unearned Revenue	11,666	-	-	11,666
Total Current Liabilities	<u>11,666</u>	<u>-</u>	<u>45</u>	<u>11,711</u>
<b>NET POSITION</b>				
Unrestricted (Deficit)	<u>1,979</u>	<u>28,384</u>	<u>(45)</u>	<u>30,318</u>
Total Net Position	<u>\$ 1,979</u>	<u>\$ 28,384</u>	<u>\$ (45)</u>	<u>\$ 30,318</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, 2018

	Non-Major Enterprise Funds			Total
	Broadway Kids Summer Program	After School Enrichment Program	Summer Music Program	
<b>OPERATING REVENUES</b>				
Charges for Services				
Program Fees	\$ 23,102	\$ 12,440	\$ 13,635	\$ 49,177
	<u>23,102</u>	<u>12,440</u>	<u>13,635</u>	<u>49,177</u>
Total Operating Revenues				
<b>OPERATING EXPENSES</b>				
Salaries and Employee Benefits	16,245	9,960	13,680	39,885
Other Purchased Services	1,387			1,387
Supplies and Materials	3,026	1,022		4,048
Miscellaneous	3,800	125	-	3,925
	<u>24,458</u>	<u>11,107</u>	<u>13,680</u>	<u>49,245</u>
Total Operating Expenses				
Operating Income	<u>(1,356)</u>	<u>1,333</u>	<u>(45)</u>	<u>(68)</u>
<b>NONOPERATING REVENUES</b>				
Interest	<u>50</u>	<u>162</u>	<u>-</u>	<u>212</u>
Total Nonoperating Revenue	<u>50</u>	<u>162</u>	<u>-</u>	<u>212</u>
Change in Net Position Before Transfers	<u>(1,306)</u>	<u>1,495</u>	<u>(45)</u>	<u>144</u>
Transfers Out	<u>(49)</u>	<u>(148)</u>	<u>-</u>	<u>(197)</u>
Change in Net Position	<u>(1,355)</u>	<u>1,347</u>	<u>(45)</u>	<u>(53)</u>
Total Net Position, Beginning of Year	<u>3,334</u>	<u>27,037</u>	<u>-</u>	<u>30,371</u>
Total Net Position (Deficit), End of Year	<u>\$ 1,979</u>	<u>\$ 28,384</u>	<u>\$ (45)</u>	<u>\$ 30,318</u>

NEW MILFORD BOARD OF EDUCATION  
ENTERPRISE FUND - NON-MAJOR  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Non-Major Enterprise Funds			Total
	Broadway Kids Summer Program	After School Enrichment Program	Sumer Music Program	
<b>Cash Flows from Operating Activities</b>				
Cash Received from Customers	\$ 18,440	\$ 12,440	\$ 13,635	\$ 44,515
Cash Payments for Employees Salaries & Benefits	(16,245)	(9,960)	(13,680)	(39,885)
Cash Payments to Suppliers for Goods and Services	(8,698)	(1,224)	-	(9,922)
Net Cash Provided/(Used) by Operating Activities	(6,503)	1,256	(45)	(5,292)
<b>Cash Flows from Noncapital Financing Activities</b>				
Cash Payments from/(to) Other Funds	(49)	(148)	45	(152)
Net Cash Provided/(Used) by Noncapital Financing Activities	(49)	(148)	45	(152)
<b>Cash Flows from Investing Activities</b>				
Interest on Investments	50	162	-	212
Net Cash Provided by Investing Activities	50	162	-	212
Net Increase/(Decrease) in Cash and Cash Equivalents	(6,502)	1,270	-	(5,232)
Cash and Cash Equivalents, Beginning of Year	20,147	27,114	-	47,261
Cash and Cash Equivalents, End of Year	\$ 13,645	\$ 28,384	\$ -	\$ 42,029
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income/(Loss)	\$ (1,356)	\$ 1,333	\$ (45)	\$ (68)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities				
Increase/(Decrease) in Accounts Payable	(485)	(77)	-	(562)
Increase/(Decrease) in Unearned Revenue	(4,662)	-	-	(4,662)
Total Adjustments	(5,147)	(77)	-	(5,224)
Net Cash Provided (Used) by Operating Activities	\$ (6,503)	\$ 1,256	\$ (45)	\$ (5,292)

**FIDUCIARY FUNDS**

**NEW MILFORD BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES  
AS OF JUNE 30, 2018**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash	\$ 204,098	\$ 396,349	\$ 600,447
Total Assets	<u>\$ 204,098</u>	<u>\$ 396,349</u>	<u>\$ 600,447</u>
<b>LIABILITIES</b>			
Employee Deposits Payable		\$ 395,533	\$ 395,533
Accrued Salaries and Wages		473	473
Payroll Deductions and Withholdings		165	165
Due to Other Fund		178	178
Due to Student Groups	\$ 204,098	-	204,098
Total Liabilities	<u>\$ 204,098</u>	<u>\$ 396,349</u>	<u>\$ 600,447</u>

**NEW MILFORD BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018**

	<b>Balance, July 1, <u>2017</u></b>	<b><u>Receipts</u></b>	<b><u>Disbursements</u></b>	<b>Balance, June 30, <u>2018</u></b>
GIBBS SCHOOL	\$ 22,060	\$ 3,404	\$ 3,257	\$ 22,207
BERKLEY SCHOOL	18,345	6,828	16,484	8,689
FIELD TRIPS		17,008	16,047	961
MIDDLE SCHOOL	33,150	124,937	122,413	35,674
HIGH SCHOOL				
Activity Account	106,315	280,182	278,406	108,091
Athletic Account	<u>18,061</u>	<u>59,788</u>	<u>49,373</u>	<u>28,476</u>
 Total All Schools	 <u>\$ 197,931</u>	 <u>\$ 492,147</u>	 <u>\$ 485,980</u>	 <u>\$ 204,098</u>

**NEW MILFORD BOARD OF EDUCATION  
FIDUCIARY FUNDS  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<b>Balance, July 1, <u>2017</u></b>	<b><u>Receipts</u></b>	<b><u>Disbursements</u></b>	<b>Balance, June 30, <u>2018</u></b>
<b>ASSETS</b>				
Cash	\$ 371,246	\$ 23,917,013	\$ 23,891,910	\$ 396,349
Total Assets	<u>\$ 371,246</u>	<u>\$ 23,917,013</u>	<u>\$ 23,891,910</u>	<u>\$ 396,349</u>
<b>LIABILITIES</b>				
Employee Deposits Payable	\$ 370,948	\$ 395,753	\$ 371,168	\$ 395,533
Accrued Salaries and Wages		13,305,369	13,304,896	473
Payroll Deductions and Withholdings	237	10,214,315	10,214,387	165
Due to Other Funds	<u>61</u>	<u>1,576</u>	<u>1,459</u>	<u>178</u>
Total Liabilities	<u>\$ 371,246</u>	<u>\$ 23,917,013</u>	<u>\$ 23,891,910</u>	<u>\$ 396,349</u>



**LONG-TERM DEBT**

NEW MILFORD BOARD OF EDUCATION  
 LONG-TERM DEBT  
 SCHEDULE OF BONDS PAYABLE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2017</u>	<u>Decreased</u>	<u>Balance, June 30, 2018</u>
Refunding Bonds	4/15/2009	\$ 4,515,000	8/15/2018	\$ 435,000	4.00%			
			8/15/2019	430,000	4.00%			
			8/15/2020	425,000	4.00%	\$ 1,725,000	\$ 435,000	\$ 1,290,000
						\$ 1,725,000	\$ 435,000	\$ 1,290,000
			Paid by Budget Appropriation			\$ 435,000		

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, 2018

<u>Capital Leases</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
2015 54 Passenger School Bus	2.38%	\$ 97,365	\$ 42,801		\$ 21,149	\$ 21,652
Kubota Backhoe Loader	0.00%	49,911	34,871		7,219	27,652
2016 31 Passenger School Bus	2.30%	50,487	20,704		10,234	10,470
2017 49 Passenger School Bus	2.20%	100,293	79,350		19,194	60,156
2017 Acquisition of Office Furniture and Equipment	0.00%	70,512	60,512		30,256	30,256
2017 Server Acquisition	0.35%	104,351	<u>67,755</u>	-	<u>33,002</u>	<u>34,753</u>
Total Capital Leases			<u>\$ 305,993</u>	<u>\$ -</u>	<u>\$ 121,054</u>	<u>\$ 184,939</u>
					<u>\$ 121,054</u>	

Paid by Budget Appropriation

**NEW MILFORD BOARD OF EDUCATION  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
<b>REVENUES</b>					
Local Sources					
Property Taxes	\$ 495,300	-	\$ 495,300	\$ 495,300	\$ -
Total Revenues	<u>495,300</u>	<u>-</u>	<u>495,300</u>	<u>495,300</u>	<u>-</u>
<b>EXPENDITURES</b>					
Regular Debt Service					
Principal	435,000		435,000	435,000	
Interest on Bonds	60,300	-	60,300	60,300	-
Total Expenditures	<u>495,300</u>	<u>-</u>	<u>495,300</u>	<u>495,300</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## STATISTICAL SECTION

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

### Contents

### Exhibits

#### **Financial Trends**

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

J-1 to J-5

#### **Revenue Capacity**

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

J-6 to J-9

#### **Debt Capacity**

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

J-10 to J-13

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

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

J-14 and J-15

#### **Operating Information**

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

J-16 to J-20

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

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

	Fiscal Year Ended June 30.									
	2009	2010	2011 (Restated)	2012 (Restated)	2013	2014 (Restated)	2015	2016 (Restated)	2017	2018
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 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	\$ 18,933,504
Restricted	676,420	1,003,566	1,612,894	1,591,439	1,807,108	2,070,989	852,217	547,609	405,594	930,816
Unrestricted	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)	(8,832,036)
<b>Total Governmental Activities Net Position</b>	<u>\$ 17,240,847</u>	<u>\$ 17,953,565</u>	<u>\$ 19,597,851</u>	<u>\$ 20,914,076</u>	<u>\$ 21,936,890</u>	<u>\$ 13,433,098</u>	<u>\$ 13,748,303</u>	<u>\$ 12,100,906</u>	<u>\$ 11,060,932</u>	<u>\$ 11,032,284</u>
<b>Business-Type Activities</b>										
Net Investment in Capital Assets	\$ 100,010	\$ 98,757	\$ 91,207	\$ 83,657	\$ 89,469	\$ 86,190	\$ 87,431	\$ 73,037	\$ 114,265	\$ 114,669
Restricted										
Unrestricted	304,597	324,040	410,103	463,927	499,795	570,601	568,752	536,454	464,276	408,289
<b>Total Business-Type Activities Net Position</b>	<u>\$ 404,607</u>	<u>\$ 422,797</u>	<u>\$ 501,310</u>	<u>\$ 547,584</u>	<u>\$ 589,264</u>	<u>\$ 656,791</u>	<u>\$ 656,183</u>	<u>\$ 609,491</u>	<u>\$ 578,541</u>	<u>\$ 522,958</u>
<b>District-Wide</b>										
Net Investment in Capital Assets	\$ 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	\$ 19,048,173
Restricted	676,420	1,003,566	1,612,894	1,591,439	1,807,108	2,070,989	852,217	547,609	405,594	930,816
Unrestricted	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)	(8,423,747)
<b>Total District Net Position</b>	<u>\$ 17,645,454</u>	<u>\$ 18,376,362</u>	<u>\$ 20,099,161</u>	<u>\$ 21,461,660</u>	<u>\$ 22,526,154</u>	<u>\$ 14,089,889</u>	<u>\$ 14,404,486</u>	<u>\$ 12,710,397</u>	<u>\$ 11,639,473</u>	<u>\$ 11,555,242</u>

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental Activities</b>										
<b>Instruction</b>										
Regular	\$ 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	\$ 18,898,048
Special Education	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	7,864,426
Other Instruction	342,508	293,040	306,805	409,371	292,546	417,445	504,294	580,206	703,985	756,966
School Sponsored Activities and Athletics	770,039	804,498	778,712	865,317	1,024,342	991,372	1,090,855	1,197,498	1,441,874	1,478,110
Community Services										
<b>Support Services:</b>										
Student & Instruction Related Services	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	7,020,879
General Administration Services	892,531	703,105	824,124	853,216	881,409	871,600	1,240,434	987,168	1,103,769	1,123,555
School Administrative Services	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	3,789,228
Central and Other Support Services	857,042	776,411	840,299	927,914	1,065,034	1,122,455	1,142,404	1,119,086	1,264,781	1,553,406
Plant Operations and Maintenance	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	5,443,789
Pupil Transportation	866,951	844,057	865,280	907,675	977,399	1,001,579	1,028,715	1,174,887	1,223,166	1,183,655
Interest On Long-Term Debt	177,530	176,275	158,376	145,533	129,936	112,175	98,437	84,856	68,297	46,488
<b>Total Governmental Activities Expenses</b>	<b>29,864,983</b>	<b>31,634,318</b>	<b>30,765,528</b>	<b>32,010,853</b>	<b>33,851,145</b>	<b>35,113,563</b>	<b>40,549,808</b>	<b>42,067,053</b>	<b>47,169,060</b>	<b>49,158,550</b>
<b>Business-Type Activities:</b>										
Food Service	657,634	676,803	640,819	645,761	658,157	667,601	688,173	758,581	753,051	888,859
Knight Care Latch Key Program	260,333	272,386	286,257	301,876	348,778	382,395	404,012	470,431	440,947	365,999
Broadway Kids Summer Enrichment Program			6,685	11,472	14,982	18,795	18,407	17,080	19,181	24,458
After School Enrichment Program				14,445	5,718	17,588	13,062	6,181	10,747	11,107
Summer Music Program										13,680
<b>Total Business-Type Activities Expense</b>	<b>917,967</b>	<b>949,189</b>	<b>933,761</b>	<b>973,554</b>	<b>1,027,635</b>	<b>1,086,379</b>	<b>1,123,654</b>	<b>1,252,273</b>	<b>1,223,926</b>	<b>1,304,103</b>
<b>Total District Expenses</b>	<b>\$ 30,782,950</b>	<b>\$ 32,583,507</b>	<b>\$ 31,699,289</b>	<b>\$ 32,984,407</b>	<b>\$ 34,878,780</b>	<b>\$ 36,199,942</b>	<b>\$ 41,673,462</b>	<b>\$ 43,319,326</b>	<b>\$ 48,392,986</b>	<b>\$ 50,462,653</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges For Services:</b>										
Regular Education										\$ 6,721
Special Education		\$ 67,608	\$ 1,400	\$ 95,327	\$ 96,987	\$ 175,006	\$ 348,161	\$ 396,222	\$ 460,111	\$ 729,067
Pupil Transportation	\$ 14,718	6,726	14,103	11,430	22,681	23,837	31,003	14,005	50,308	21,786
Operating Grants And Contributions	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	14,947,976
Capital Grants And Contributions	25,315	259,062	80,991		7,952	77,215	798,271	-	63,532	13,145
<b>Total Governmental Activities Program Revenues</b>	<b>4,760,994</b>	<b>5,736,214</b>	<b>4,697,637</b>	<b>5,097,410</b>	<b>5,930,083</b>	<b>5,682,900</b>	<b>10,474,814</b>	<b>10,677,884</b>	<b>13,697,538</b>	<b>15,718,695</b>
<b>Business-Type Activities:</b>										
<b>Charges For Services</b>										
Food Service	540,285	537,720	542,826	516,655	512,723	549,519	548,960	611,632	605,142	617,570
Knight Care Latch Key Program	316,404	300,427	317,699	318,530	358,421	377,202	368,789	369,270	348,163	384,851
Broadway Kids Summer Enrichment Prgm				12,525	15,790	17,952	18,875	20,343	20,343	23,102
After School Enrichment Program			6,640	18,010	9,030	24,240	15,400	9,770	13,545	12,440
Summer Music Program										13,635
Operating Grants And Contributions	111,575	128,535	144,535	148,648	172,751	184,209	171,149	194,753	204,233	195,703
Capital Grants And Contributions										
<b>Total Business-Type Activities Program Revenues</b>	<b>968,264</b>	<b>966,682</b>	<b>1,011,700</b>	<b>1,014,368</b>	<b>1,068,715</b>	<b>1,153,122</b>	<b>1,122,097</b>	<b>1,204,300</b>	<b>1,191,426</b>	<b>1,247,301</b>
<b>Total District Program Revenues</b>	<b>\$ 5,729,258</b>	<b>\$ 6,702,896</b>	<b>\$ 5,709,337</b>	<b>\$ 6,111,778</b>	<b>\$ 6,998,798</b>	<b>\$ 6,836,022</b>	<b>\$ 11,596,911</b>	<b>\$ 11,882,184</b>	<b>\$ 14,888,964</b>	<b>\$ 16,965,996</b>
<b>Net (Expense)/Revenue</b>										
<b>Governmental Activities</b>	\$ (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)	\$ (33,439,855)
<b>Business-Type Activities</b>	50,297	17,493	77,939	40,814	41,080	66,743	(1,557)	(47,973)	(32,500)	(56,802)
<b>Total District-Wide Net Expense</b>	<b>\$ (25,053,692)</b>	<b>\$ (25,880,611)</b>	<b>\$ (25,989,952)</b>	<b>\$ (26,872,629)</b>	<b>\$ (27,879,982)</b>	<b>\$ (29,363,920)</b>	<b>\$ (30,076,511)</b>	<b>\$ (31,437,142)</b>	<b>\$ (33,504,022)</b>	<b>\$ (33,496,657)</b>

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Revenues And Other Changes In Net Position</b>										
<b>Governmental Activities:</b>										
Property Taxes Levied For General Purposes	\$ 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	\$ 32,368,991
Property Taxes Levied For Debt Service	542,538	543,250	520,050	488,862	521,650	524,500	523,725	530,300	517,800	495,300
State Aid, Unrestricted	537,960	328,720	21,712	238,062	340,942	323,248	363,388	365,248	370,650	440,266
Investment Earnings	49,482	31,999	33,424	14,749	17,419	18,622	20,577	21,585	23,979	26,470
Miscellaneous Income	206,381	141,219	282,365	69,196	91,839	194,654	70,280	67,882	79,866	78,592
Transfers				(4,756)				1,969	1,481	1,588
<b>Total Governmental Activities</b>	<b>25,370,099</b>	<b>26,610,822</b>	<b>27,769,774</b>	<b>28,229,668</b>	<b>28,943,876</b>	<b>29,641,641</b>	<b>30,390,199</b>	<b>31,544,420</b>	<b>32,431,548</b>	<b>33,411,207</b>
<b>Business-Type Activities:</b>										
Investment Earnings	\$ 730	\$ 697	\$ 574	\$ 704	\$ 600	\$ 784	\$ 949	\$ 3,250	\$ 3,031	\$ 2,807
Transfers	-	-	-	4,756	-	-	-	(1,969)	(1,481)	(1,588)
<b>Total Business-Type Activities</b>	<b>730</b>	<b>697</b>	<b>574</b>	<b>5,460</b>	<b>600</b>	<b>784</b>	<b>949</b>	<b>1,281</b>	<b>1,550</b>	<b>1,219</b>
<b>Total District-Wide</b>	<b>\$ 25,370,829</b>	<b>\$ 26,611,519</b>	<b>\$ 27,770,348</b>	<b>\$ 28,235,128</b>	<b>\$ 28,944,476</b>	<b>\$ 29,642,425</b>	<b>\$ 30,391,148</b>	<b>\$ 31,545,701</b>	<b>\$ 32,433,098</b>	<b>\$ 33,412,426</b>
<b>Change In Net Position</b>										
Governmental Activities	\$ 266,110	\$ 712,718	\$ 1,701,883	\$ 1,316,225	\$ 1,022,814	\$ 210,978	\$ 315,205	\$ 155,251	\$ (1,039,974)	\$ (28,648)
Business-Type Activities	51,027	18,190	78,513	46,274	41,680	67,527	(608)	(46,692)	(30,950)	(55,583)
<b>Total District</b>	<b>\$ 317,137</b>	<b>\$ 730,908</b>	<b>\$ 1,780,396</b>	<b>\$ 1,362,499</b>	<b>\$ 1,064,494</b>	<b>\$ 278,505</b>	<b>\$ 314,597</b>	<b>\$ 108,559</b>	<b>\$ (1,070,924)</b>	<b>\$ (84,231)</b>

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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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 601,835	\$ 1,488,108								
Unreserved	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	\$ 3,040,838
Committed			327,900		27,500		305,410	29,350	31,250	
Assigned			267,173	323,683	440,610	408,683	164,812	250,606	122,209	291,455
Unassigned			203,491	104,153	73,923	69,119	112,083	114,367	145,093	155,332
<b>Total General Fund</b>	<b>\$ 1,175,782</b>	<b>\$ 1,570,533</b>	<b>\$ 2,983,272</b>	<b>\$ 3,868,897</b>	<b>\$ 4,760,994</b>	<b>\$ 4,672,506</b>	<b>\$ 2,682,838</b>	<b>\$ 2,779,824</b>	<b>\$ 2,721,090</b>	<b>\$ 3,518,875</b>
All Other Governmental Funds										
Reserved	\$ 746,473									
Unreserved	(262,205)	\$ 82,899								
Restricted			\$ 85,122	\$ 52,834	\$ 5,650	\$ 5,650	\$ 464,869	\$ 417,416		
Unassigned						(101,785)	-	-	-	-
<b>Total All Other Governmental Funds</b>	<b>\$ 484,268</b>	<b>\$ 82,899</b>	<b>\$ 85,122</b>	<b>\$ 52,834</b>	<b>\$ 5,650</b>	<b>\$ (96,135)</b>	<b>\$ 464,869</b>	<b>\$ 417,416</b>	<b>\$ -</b>	<b>\$ -</b>

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Property Tax Levy	\$ 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	\$ 32,864,291
Tuition Charges		67,608	1,400	95,327	96,987	175,006	348,161	396,222	460,111	735,788
Transportation Fees	14,718	6,726	14,103	11,430	22,681	23,837	31,003	14,005	50,308	21,786
Interest Earnings	49,482	31,999	33,424	14,749	17,419	18,622	20,577	21,585	23,979	26,470
Miscellaneous	213,206	148,719	289,865	76,896	100,190	203,154	93,272	99,518	107,768	118,231
State Sources	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	7,423,035
Federal Sources	876,703	1,145,800	996,985	772,989	765,804	776,445	723,262	806,205	859,521	723,504
<b>Total Revenue</b>	<b>30,131,093</b>	<b>32,334,391</b>	<b>32,433,651</b>	<b>33,331,834</b>	<b>34,866,007</b>	<b>35,315,183</b>	<b>37,344,154</b>	<b>38,355,258</b>	<b>39,776,255</b>	<b>41,913,105</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	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	15,327,826
Special Education Instruction	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	6,780,102
Other Instruction	342,508	293,040	306,805	409,371	292,546	417,445	437,067	521,826	560,710	605,970
School Sponsored Activities And Athletics	767,565	801,972	776,169	862,816	1,021,726	988,729	1,072,133	1,134,459	1,185,135	1,220,107
Community Services										
<b>Support Services:</b>										
Student & Inst. Related Services	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	5,842,588
General Administration	862,727	728,804	815,071	832,704	881,326	885,530	1,153,479	928,460	972,996	985,583
School Administrative Services	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	3,061,723
Central and Other Support Services	816,963	724,482	803,498	885,538	1,007,401	1,092,851	1,052,279	1,003,752	1,023,690	1,213,495
Plant Operations And Maintenance	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	4,245,389
Pupil Transportation	838,796	815,313	809,375	883,696	947,630	971,494	968,408	1,114,732	1,113,337	1,045,392
<b>Capital Outlay</b>	<b>723,958</b>	<b>757,372</b>	<b>346,411</b>	<b>732,731</b>	<b>404,726</b>	<b>611,389</b>	<b>2,613,175</b>	<b>527,431</b>	<b>954,241</b>	<b>165,541</b>
<b>Debt Service:</b>										
Principal	441,856	488,564	404,707	408,033	422,044	409,400	635,057	656,547	714,464	556,054
Interest And Other Charges	240,896	155,297	185,142	168,632	155,121	136,178	116,260	110,588	86,030	67,138
Payment to Escrow Agent	108,614									
Cost of Issuance	89,348									
<b>Total Expenditures</b>	<b>30,699,655</b>	<b>32,341,009</b>	<b>31,018,689</b>	<b>32,573,536</b>	<b>34,021,094</b>	<b>35,503,456</b>	<b>39,489,084</b>	<b>38,307,694</b>	<b>40,529,042</b>	<b>41,116,908</b>
<b>Excess (Deficiency) Of Revenues</b>										
Over (Under) Expenditures	(568,562)	(6,618)	1,414,962	758,298	844,913	(190,273)	(2,144,930)	47,564	(752,787)	796,197
<b>Other Financing Sources (Uses)</b>										
Capital Leases & Lease Purchase Agreements				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	517,567	4,925	48	14	52,834	-	1,750,042	1,969	418,897	1,588
Transfers Out	(517,567)	(4,925)	(48)	(4,770)	(52,834)	-	(1,750,042)		(417,416)	-
<b>Total Other Financing Sources (Uses)</b>	<b>197,962</b>	<b>-</b>	<b>-</b>	<b>95,039</b>	<b>-</b>	<b>-</b>	<b>716,266</b>	<b>1,969</b>	<b>276,637</b>	<b>1,588</b>
<b>Net Change In Fund Balances</b>	<b>\$ (370,600)</b>	<b>\$ (6,618)</b>	<b>\$ 1,414,962</b>	<b>\$ 853,337</b>	<b>\$ 844,913</b>	<b>\$ (190,273)</b>	<b>\$ (1,428,664)</b>	<b>\$ 49,533</b>	<b>\$ (476,150)</b>	<b>\$ 797,785</b>
<b>Debt Service As A Percentage Of</b>										
Noncapital Expenditures	2.28%	2.04%	1.92%	1.81%	1.72%	1.56%	2.04%	2.03%	2.02%	1.52%

\* 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)

Fiscal Year Ended June 30.	Tuition	Interest	Rentals	Book Fine / Student Obligations	Transportation Fees	Enrichment Academy Fees	Insurance Proceeds/ FEMA	E-Rate	Student Activity Fees	Cancellation of Prior Year Payables	Refund Prior Year Expenditures	Miscellaneous	Total
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
2018	735,788	26,470	12,100		21,786				29,615		-	36,877	862,636

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
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
2018	2,610,800	1,360,700,600	-	-	76,545,300	3,892,300	133,120,700	1,576,869,700	977,593	1,577,847,293	1,834,707,153	2.118

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	New Milford Borough	Bergen County	
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	
2018	2.118	1.047	0.285	3.450	

Source: Tax Duplicate, Borough of New Milford

EXHIBIT J-8

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

Taxpayer	2018		2009	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Bal Bay Realty, LTD	\$ 43,336,400	2.75%	\$ 42,157,500	2.14%
Individual Taxpayer	36,483,400	2.31%	33,940,700	1.73%
NM Village LLC% Affiliated Mgmt Inc	28,458,500	1.80%	24,000,000	1.22%
Dorchester Manor	13,607,000	0.86%	15,209,900	0.77%
New Meditrust Co LLC % Woodcrest Hcc	10,509,000	0.67%	14,250,400	0.73%
Milford Arms	8,366,400	0.53%	9,822,100	0.50%
Brookchester Shopping Center	5,624,800	0.36%	5,895,600	0.30%
Inserra Associates	5,262,600	0.33%	6,659,600	0.34%
Public Service Electric & Gas Co.	3,477,800	0.22%		
Lucerne-New Milford LLC	3,349,100	0.21%		
Canterbury Village			4,738,600	0.24%
730 River Rd Prop c/o Curtis Corp			3,703,300	0.19%
Total	\$ 158,475,000	10.04%	\$ 160,377,700	8.16%

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	
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%	
2018	32,864,291	32,864,291	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			
2009	\$ 4,840,000	\$ 248,399		\$ 5,088,399	15,949	\$ 319
2010	4,470,000	129,835		4,599,835	16,370	281
2011	4,130,000	65,128		4,195,128	16,487	254
2012	3,775,000	111,890		3,886,890	16,578	234
2013	3,405,000	59,846		3,464,846	16,657	208
2014	3,015,000	40,446		3,055,446	16,709	183
2015	2,600,000	423,931	\$ 102,917	3,126,848	16,797	186
2016	2,165,000	252,438	52,863	2,470,301	16,816	147
2017	1,725,000	305,993		2,030,993	16,868	120
2018	1,290,000	184,939		1,474,939	16,868 *	87

Source: District Records

\*Estimated



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

General Bonded Debt Outstanding					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
2009	\$ 4,840,000		\$ 4,840,000	0.25%	\$ 303
2010	4,470,000		4,470,000	0.23%	273
2011	4,130,000		4,130,000	0.21%	251
2012	3,775,000		3,775,000	0.19%	228
2013	3,405,000		3,405,000	0.22%	204
2014	3,015,000		3,015,000	0.19%	180
2015	2,600,000		2,600,000	0.17%	155
2016	2,165,000		2,165,000	0.14%	129
2017	1,725,000		1,725,000	0.11%	102
2018	1,290,000		1,290,000	0.08%	76

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, 2017  
(Unaudited)**

<u>Governmental Unit</u>	<u>Total Debt</u>
<b>Municipal Debt: (1)</b>	
New Milford Board of Education (June 30, 2018)	\$ 1,290,000
Borough of New Milford	20,556,032
<b>Overlapping Debt Apportioned to the Municipality</b>	
<b>Bergen County: (2) and (3)</b>	
County of Bergen (A)	13,458,575
Bergen County Utilities Authority - Waste Water (B)	<u>3,224,261</u>
<b>Total direct and overlapping debt</b>	<u><u>\$ 38,528,868</u></u>

- (A) The debt for this entity was apportioned by dividing the Municipality's 2017 equalized value by the total 2017 equalized value for Bergen County  
 (B) Overlapping Debt was computed based upon municipal flow to the Authority

**Sources:**

- (1) Borough of New Milford 2017 Annual Debt Statement
- (2) BCUA 2017 Audit
- (3) Bergen County 2017 Annual Debt Statement

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

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized valuation basis	
2015	\$ 1,821,502,205
2016	1,825,114,940
2017	1,835,973,987
	<u>\$ 5,482,591,132</u>
	<u>\$ 1,827,530,377.33</u>
Debt limit (4 % of average equalization value)	\$ 73,101,215
Total Net Debt Applicable to Limit	<u>1,290,000</u>
Legal debt margin	<u>\$ 71,811,215</u>

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 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	\$ 73,101,215
Total net debt applicable to limit	<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>	<u>1,290,000</u>
Legal debt margin	<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>	<u>\$ 71,811,215</u>
Total net debt applicable to the limit as a percentage of debt limit	5.76%	5.32%	5.03%	4.76%	4.46%	4.12%	3.66%	3.04%	2.39%	1.76%

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	
2009	15,949	\$ 65,097	8.0%	
2010	16,370	66,080	8.2%	
2011	16,487	69,044	8.10%	
2012	16,578	71,953	8.20%	
2013	16,657	71,449	6.10%	
2014	16,709	73,293	6.80%	
2015	16,797	76,388	4.40%	
2016	16,816	77,187	4.20%	
2017	16,868	N/A	3.7%	
2018	N/A	N/A	3.7%	*

**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

\*Estimated

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

Employer	2018		2009	
	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>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>2018</u>
Instruction										
Regular	123	126	113	120	122	125	123.5	128.8	128.8	120.5
Special education	35	19	21	22	23	23	22.5	26.4	27.7	31.3
Other instruction	21	32	36	42	49	55	52.2	65.6	73.4	73.2
Support Services:										
Tuition										
Student & instruction related services	32	31	26	37	37	29	29.6	37.7	39.0	36.6
General administrative services	4	5	4	4	4	4	4.4	5.4	6.4	8.8
School administrative services	16	24	20	17	16	20	23.5	19.7	22.1	19.9
Business administrative services	6	7	6	8	9	9	9.0	9.0	9.0	9.0
Plant operations and maintenance	35	35	32	32	26	30	30.5	33.3	19.6	28.5
Pupil transportation	6	8	9	6	6	8	7.1	7.3	10.6	5.0
Child Care	19	22	23	21	24	32	33.0	46.0	30.0	46.0
<b>Total</b>	<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>	<u>378.7</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				
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	4.76%	194	21:01	20:01	2,066	2,000	0.88%	96.81%
2014	2,034	34,348,489	16,887	5.60%	148	19:01	17:01	2,014	1,954	-2.52%	97.02%
2015	1,998	36,124,592	18,080	7.07%	146	18:01	17:01	1,979	1,919	-1.74%	96.97%
2016	2,000	37,013,128	18,507	2.36%	155	18:01	19:01	1,997	1,937	0.91%	97.00%
2017	1,997	38,774,307	19,416	4.92%	157	19:01	18:01	1,962	1,898	-1.75%	96.74%
2018	1,993	40,328,175	20,235	4.22%	152	18:40	18:00	1,990	1,929	1.43%	96.93%

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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>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>2018</u>
<b><u>Elementary</u></b>										
Berkley Street School										
Square Feet	49,438	49,438	49,438	49,438	49,438	49,438	49,438	49,438	49,438	49,438
Capacity (students)	410	410	410	410	410	410	410	410	410	410
Enrollment	414	413	413	419	457	459	453	436	424	425
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	511	524	524	499	479	449	456	474	465	458
<b><u>Middle School</u></b>										
David E. Owens Middle School										
Square Feet	80,193	80,193	80,196	80,193	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	498	498	501	503	487	481	445	453	449	523
<b><u>High School</u></b>										
New Milford High School										
Square Feet	139,920	139,920	139,920	139,920	139,920	139,920	139,920	139,920	139,920	139,920
Capacity (students)	700	700	700	700	700	700	700	700	700	700
Enrollment	693	691	691	647	643	645	631	648	618	590

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Number of Schools at June 30, 2018

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)

School Facilities	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Berkley Street Elementary	\$ 83,116	\$ 73,614	\$ 92,398	\$ 108,437	\$ 95,915	\$ 133,231	\$ 100,020	\$ 109,200	\$ 42,929	\$ 113,993
B. F. Gibbs Elementary	78,244	63,672	62,814	77,706	57,800	98,284	87,155	98,936	94,738	109,976
David E. Owens Middle School	121,088	163,587	168,070	142,070	99,039	233,322	174,255	266,628	222,760	181,264
New Milford High School	220,719	226,591	254,586	291,624	348,624	348,407	283,826	378,179	252,546	313,670
Total School Facilities	\$ 503,167	\$ 527,464	\$ 577,868	\$ 619,837	\$ 601,378	\$ 813,244	\$ 645,256	\$ 852,943	\$ 612,973	\$ 718,903

NEW MILFORD BOARD OF EDUCATION  
 INSURANCE SCHEDULE  
 AS OF JUNE 30, 2018  
 (Unaudited)

	Coverage	Deductible
School Package Policy		
Spec. Multi Peril w/ Auto (1)	\$ 71,505,872	\$ 5,000
Pollution Liability (1a)	4,000,000	15,000
Crime - Per Employee/Per Loss (1b)	100,000/500,000	5,000/100,000
School Board E & O (1c)	1,000,000	
Excess Workers Compensation (1d)	1,000,000	
Comm. Umbrella Excess (1)	9,000,000	
Comm. Umbrella Excess (1f)	50,000,000	
Student Accident Insurance (2)	500,000 per accident	
Surety Bonds (3)		
Treasurer	250,000	
Board Secretary/Business Administrator	100,000	
(1) Great American Insurance Company		
(1a) Chubb/Ace American		
(1b) Selective Insurance Co of America		
(1c) Greenwich Insurance Company		
(1d) Safety National		
(1e) American Alternatives Insurance Co		
(1f) Fireman's Fund Insurance Co		
(2) Gerber 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  
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ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA  
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DEBRA GOLLE, CPA  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

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

**INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members  
of the Board of Education  
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, 2018 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 January 24, 2019.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency

### **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 an instance of noncompliance or other matters that is 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 and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

We also 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 January 24, 2019.

### **New Milford Board of Education's Responses to Findings**

The New Milford Board of Education's response to the 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 the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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*

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



Donna L. Japhet  
Public School Accountant  
PSA Number CS002314

Fair Lawn, New Jersey  
January 24, 2019



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA  
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CHRIS SOHN, CPA

**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 Education  
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, 2018. 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, 2018.

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

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the 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, 2018 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 January 24, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the

auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Lerch, Vinci & Higgins, LLP*

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



Donna L. Japhet  
Public School Accountant  
PSA Number CS002314

Fair Lawn, New Jersey  
January 24, 2019



NEW MILFORD BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	FAIN Number	Project Period	Award Amount	Balance, June 30, 2017	Unearned Revenue Carryover Amount	Account Receivable Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments (1)	Funds Released		(Accounts Receivable)	Balance, June 30, 2018		Due to Grantor	Memo GAAP Receivable
											Accounts Receivable	Unearned Revenue		Unearned Revenue/			
U.S. Department of Agriculture Passed-Through State Department of Education:																	
National School Lunch Program	10.555																
Non-Cash Assistance		181N304N1099	7/1/17-6/30/18	\$ 44,265			\$ 44,265	\$ 44,265									
Cash Assistance		171N304N1099	7/1/16-6/30/17	147,668	(10,649)		10,649										
Cash Assistance		181N304N1099	7/1/17-6/30/18	144,857			134,568	144,857				\$ (10,289)					\$ (10,289)
National School Breakfast Program	10.553	171N304N1099	7/1/16-6/30/17	518	(28)		28										(9)
National School Breakfast Program	10.553	181N304N1099	7/1/17-6/30/18	432			423	432					(9)				
Total Child Nutrition Cluster / Enterprise Fund					(10,677)			189,933	189,554				(10,298)				(10,298)
U.S. Department of Education Passed-Through State Department of Education:																	
General Fund																	
Medical Assistance Program	93.778	1805N5MAP	7/1/17-6/30/18	15,058			15,058	15,058									
Total General Fund							15,058	15,058									
Special Revenue Fund																	
Title I	84.010A	S010A160030	7/1/16 - 6/30/17	155,170	(32,692)	(7,426)	7,426	32,692									
Title I	84.010A	S010A170030	7/1/17 - 6/30/18	168,114		7,426	(7,426)	102,016	163,452			(73,524)	\$ 12,088				(61,436)
Title II - Part A	84.367A	S367A160029	7/1/16 - 6/30/17	30,786	(29,241)	(2,984)	2,984	29,241									
Title II - Part A	84.367A	S367A170029	7/1/17 - 6/30/18	41,402		2,984	(2,984)	32,276	39,902			(12,110)	4,484				(7,626)
Title III	84.365A	S365A160030	7/1/16 - 6/30/17	25,861	(9,037)	(4,727)	4,727	9,037									
Title III	84.365A	S365A170030	7/1/17 - 6/30/18	19,879		4,727	(4,727)	12,900	22,693			(11,706)	1,913				(9,793)
Title III Immigrant	84.365A	S365A160030	7/1/16 - 6/30/17	6,341	(3,838)	(1,307)	1,307	3,838									
Title III Immigrant	84.365A	S365A170030	7/1/17 - 6/30/18	5,218		1,307	(1,307)	1,542	3,667		\$ 192	\$ (192)	(4,791)	2,666			(2,125)
Total English Language Acquisition (Title III) Cluster					(12,875)			27,317	26,360		192	(192)	(16,497)	4,579			(11,918)
I.D.E.A. Part B, Basic	84.027A	H027A160100	7/1/16 - 6/30/17	538,934	(53,084)	(15,423)	15,423	49,084		\$ 4,000							
I.D.E.A. Part B, Basic	84.027A	H027A170100	7/1/17 - 6/30/18	530,112		15,423	(15,423)	388,780	444,861			(156,755)	100,674				(56,081)
I.D.E.A. Preschool	84.173A	H173A160114	7/1/16 - 6/30/17	26,233	(6,022)	(13,858)	13,858	6,022									
I.D.E.A. Preschool	84.173A	H173A170114	7/1/17 - 6/30/18	26,080		13,858	(13,858)	7,383	26,134			(32,555)	13,804				(18,751)
Total Special Education Cluster (IDEA)					(59,106)			451,269	470,995	4,000			(189,210)	114,478			(74,832)
Total Special Revenue Fund					(133,914)			674,811	700,709	4,000	192	(192)	(291,441)	135,629			(158,812)
Total Federal Awards					\$ (144,591)	\$ -	\$ -	\$ 879,802	\$ 905,321	\$ 4,000	\$ 192	\$ (192)	\$ (301,739)	\$ 135,629	\$ -		\$ (166,110)

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

Note:  
 (1) - To reclassify prior year grant expenditure



NEW MILFORD BOARD OF EDUCATION  
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, June 30, 2017		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	June 30, 2018		Due to Grantor	MEMO		
				Unearned Revenue/ (Accts Rec.)	Due to Grantor				(Accounts Receivable)	Unearned Revenue		GAAP Receivable	Combined Total Expenditures	
<b>Department of Agriculture</b>														
National School Lunch Program (State Share)	18-100-010-3350-023	7/1/17 - 6/30/18	\$ 6,149			\$ 5,714	\$ 6,149		\$ (435)			\$ (435)	\$ 6,149	
National School Lunch Program (State Share)	17-100-010-3350-023	7/1/16 - 6/30/17	5,574	\$ (398)	-	398	-	-	-	-	-	-	-	
Total Department of Agriculture (Food Service Fund)					(398)	-	6,112	6,149	-	(435)	-	-	(435)	6,149
Total State Financial Assistance Subject to Single Audit Determination					(1,071,218)	\$ 134,967	\$ 7,497,646	\$ 7,431,471	\$ 134,967	(1,092,181)	-	\$ 87,138	(111,069)	7,431,471
<b>State Financial Assistance Not Subject to Major Program Determination</b>														
<b>General Fund</b>														
On-Behalf TPAF Pension Benefit Contribution	18-495-034-5094-002	7/1/17 - 6/30/18	1,932,607			(1,932,607)	(1,932,607)						(1,932,607)	
On-Behalf TPAF Pension -NCGI Premium	18-495-034-5094-004	7/1/17 - 6/30/18	46,900			(46,900)	(46,900)						(46,900)	
On-Behalf TPAF Pension -LTDI	18-495-034-5094-004	7/1/17 - 6/30/18	3,795			(3,795)	(3,795)						(3,795)	
On-Behalf TPAF Post-Retirement Medical	18-495-034-5094-001	7/1/17 - 6/30/18	1,278,521			(1,278,521)	(1,278,521)						(1,278,521)	
Total State Financial Assistance Subject to Major Program Determination					(1,071,218)	\$ 134,967	\$ 4,235,823	\$ 4,169,648	\$ 134,967	(1,092,181)	-	\$ 87,138	(111,069)	4,169,648

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, 2018**

**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 \$2,287 for the general fund and an increase of \$8,813 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	\$ 15,058	\$ 7,057,598	\$ 7,072,656
Special Revenue Fund	708,446	365,437	1,073,883
Food Service Fund	<u>189,554</u>	<u>6,149</u>	<u>195,703</u>
Total Financial Assistance	<u>\$ 913,058</u>	<u>\$ 7,429,184</u>	<u>\$ 8,342,242</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, 2018**

**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 \$1,040,219 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, 2018. The amount reported as TPAF Pension System Contributions in the amount of \$1,979,507, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,278,521 and TPAF Long-Term Disability Insurance in the amount of \$3,795 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

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

**NEW MILFORD BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

*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)?   X   yes        none reported

Noncompliance material to the basic financial statements noted?   X   yes        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>
10.553 & 10.555	181NJ304N1099	Child Nutrition Cluster

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, 2018**

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

Identification of major programs:

GMIS Number(s)	Name of State Program
<u>18-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>18-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>18-495-034-5120-084</u>	<u>Security Aid</u>
<u>18-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>18-495-034-5120-098</u>	<u>PARCC Readiness</u>
<u>18-495-034-5120-101</u>	<u>Professional Learning Community Aid</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, 2018**

*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*.

**Finding 2018-001**

Our audit of the general ledger account balance revealed certain adjusting journal entries were required to reconcile the Board's records to agree with subsidiary records, supporting documentation and prior year annual audit balances. It was also noted that certain year-end receivables were not accrued, such as Extraordinary Aid, tuition and charter school overpayment. In addition, the financial activity of the Food Service Enterprise Fund is not being maintained in the District's internal accounting records.

**Criteria or Specific Requirement**

The State Department of Education's GAAP Technical Systems Manual.

**Condition**

Certain adjusting journal entries were required to reclassify receipts, accrue revenues and correct general ledger entries in the General and Special Revenue Funds. The Food Service enterprise fund's transactions are not maintained in the District's internal accounting general ledger software. Adjustments were required to adjust the beginning balances in certain enterprise funds to agree with the prior year annual audit.

**Questioned Costs**

None.

**Context**

- Extraordinary Aid in the amount of \$373,295 was not accrued at June 30, 2018 in the General Fund.
- \$184,500 of Special Revenue Fund's IDEA grant receipts were incorrectly posted to the General Fund.
- \$28,939 in tuition revenues were not accrued at June 30, 2018 in the General Fund.
- Overpayment of charter school aid resulting in an accounts receivable of \$4,868 at June 30, 2018, was not recorded in the General Fund.
- Certain beginning general ledger balances in the Broadway Kids Summer Program, After School Enrichment Program and the Knight Care Latchkey Program Enterprise Funds were not in agreement with prior year annual audit.
- The Food Service enterprise fund's financial transactions are not maintained in the District's internal accounting general ledger software.



**NEW MILFORD BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

*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*.

**Finding 2018-001 (Continued)**

**Effect**

The Board Secretary's records were not in agreement with subsidiary records, supporting documentation and prior year annual audit balances and did not include the Food Service enterprise fund's transactions.

**Recommendation**

Internal controls over financial accounting and reporting be reviewed and enhanced to ensure financial transactions are properly recorded and reported in the District's internal accounting records.

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

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

**NEW MILFORD BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

*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, 2018

*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**

There are none.

**NEW MILFORD BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 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.

**Current Status**

Corrective action was taken.