

**SCHOOL DISTRICT
OF
THE BOROUGH OF MOUNT ARLINGTON**

**Borough of Mount Arlington School District
Board of Education
Mount Arlington, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

**Comprehensive Annual
Financial Report**

of the

**Borough of Mount Arlington School District
Board of Education**

Mount Arlington, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Borough of Mount Arlington School District
Board of Education**

Finance Department

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
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INTRODUCTORY SECTION

Mount Arlington Public Schools

446 Howard Blvd • Mount Arlington, NJ 07856 • (973) 770-7140 (Phone) • (973) 398-4668 (Fax)

Bernard A. Josefsberg, M.S.Ed.
Interim Superintendent of Schools

Tonya M. Flowers
Business Administrator/Board Secretary

October 7, 2016

The Honorable President and Members of
the Board of Education
Borough of Mount Arlington School District
County of Morris, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Borough of Mount Arlington School District (the "District") for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). 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 basic financial statements and results of operations 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 Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Borough of Mount Arlington School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Borough of Mount Arlington School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8 (The approximately 150 Mount Arlington students in grades 9-12 are sent to the Roxbury Public School District and are properly included in their enrollment numbers. The Mount Arlington Public School District is responsible for paying tuition, transportation and special education costs for these students, and these costs are included in the District's financial statements). In-district services are provided for regular and special education for the handicapped youngsters. The District completed the 2015-2016 fiscal year with an average daily enrollment of 355 students, which is 8 students above the previous year's average daily enrollment.

The Honorable President and Members of
 the Board of Education
 Borough of Mount Arlington School District
 Page 2
 October 7, 2016

2) ECONOMIC CONDITIONS AND OUTLOOK: The development of the Mount Arlington area has been slow to recover following the nationwide recession, as have other areas of Morris County. New adult communities opened in recent years, however, have resulted in an increase to the tax base without a significant increase in the number of students being served. Recent approvals granted by the Borough for new businesses along Howard Boulevard and for new community enhancing physical improvements, such as street lighting and sidewalks, have improved the desirability of Mount Arlington as a family-friendly community. The District does not anticipate a quick improvement in the State's financial condition and, consequently, does not anticipate the State will be contributing its legally mandated share of the District's operating expenditures at any point in the near future. However, due to prudent and responsible spending, the District has been able to get back on a schedule of building and infrastructure improvements.

3) MAJOR INITIATIVES: During the 2015/2016 school year, the District made capital improvements to the Mount Arlington Public School. The District renovated the Art and Music wing as well as the lower level with lighting, new flooring and wall finishing. New light fixtures, cabinets and a sink was installed in the art room along with new light fixtures in the music room. The District installed a new boiler at the Mount Arlington Public School (MAPS). Upgrades and improvements were also made to three restrooms making them ADA compliant.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system 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 and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

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

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 a vote of the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

The Honorable President and Members of
 the Board of Education
 Borough of Mount Arlington School District
 Page 3
 October 7, 2016

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which 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.

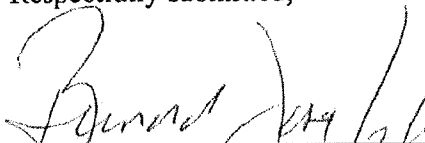
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's CAFR.

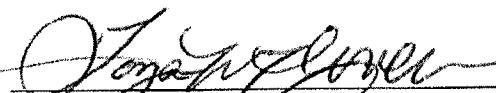
The Board is a member of the Morris Essex Insurance Group (the "Group"). The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance coverage for their respective members. Additional information on the Group is included in Note 11 to the Basic Financial Statements.

9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The Auditors' Report on the basic financial statements and specific required supplementary information are included in the financial section of this report. The Auditors' Reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

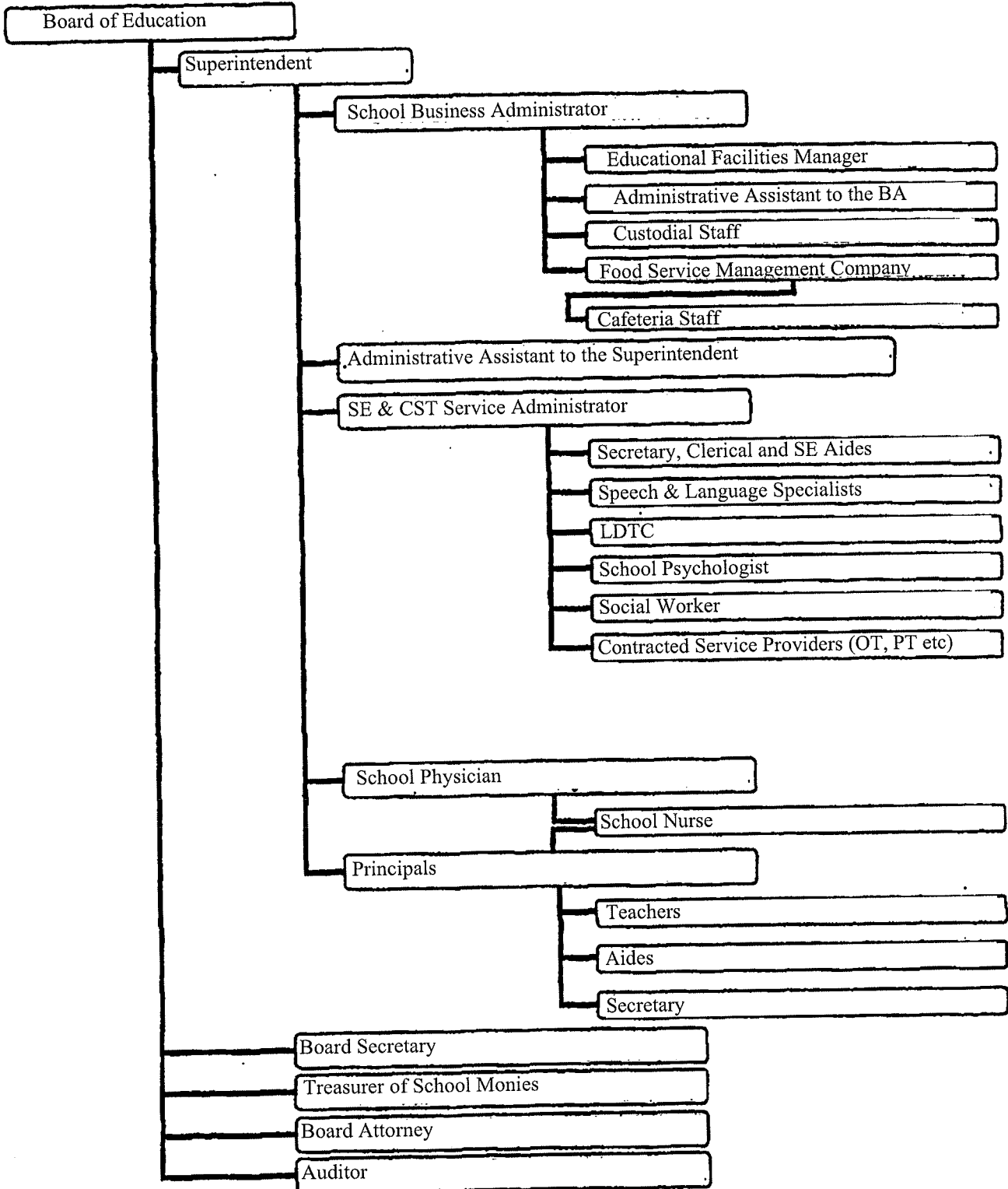
10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Mount Arlington Borough School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance 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,


 Bernard A. Josefsberg, Ed.D
 Interim Superintendent of Schools


 Tonya M. Flowers
 Board Secretary/Business Administrator

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
ORGANIZATIONAL CHART
JUNE 30, 2016



**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2016**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Sheila Studint	President	2018
John Longtine	Vice President	2017
Rachel Byrne		2017
Elizabeth Cangiano		2016
John Albert Decena		2018
Karl Svenningsen		2017
Albert Roldan		2016

<u>Other Officials</u>	<u>Title</u>
Jane Mullins Jameson	Superintendent of Schools
Robin Tedesco	School Business Administrator/Board Secretary (until June 30, 2016)
Tonya M. Flowers	School Business Administrator/Board Secretary (from July 1, 2016)

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
Consultants and Advisors**

Audit Firm

Nisivoccia LLP CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856-1320
and
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Attorney

Porzio, Bromberg, & Newman, P.C.
136 Madison Avenue
Morristown, NJ 07962-1997

Bond Counsel

Wilentz, Goldman & Spitzer
90 Woodbridge Center Drive
Woodbridge, NJ 07059-0958

Official Depositories

Fulton Bank of New Jersey
274 New Jersey 10
Succasunna, NJ 07876

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Mount Arlington School District
 County of Morris, 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 Board of Education of the Borough of Mount Arlington School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District'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.

Auditors' 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 *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 District'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 District'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.

The Honorable President and Members
of the Board of Education
Borough of Mount Arlington School District
Page 2

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 Board of Education of the Borough of Mount Arlington School District in the County of Morris, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 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 District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state 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*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical section are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards 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 supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members
of the Board of Education
Borough of Mount Arlington School District
Page 3

The accompanying other information such as the introductory and statistical sections has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
October 7, 2016

NISIVOCCIA LLP



Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

This section of Borough of Mount Arlington School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's net position status increased by \$719,575 on a district-wide basis.
- Overall revenue was \$12.9 million.
- Overall expenses were \$12.2 million.
- Enrollment in the District has increased during the current year resulting in a slight decrease in cost per pupil during the current year.

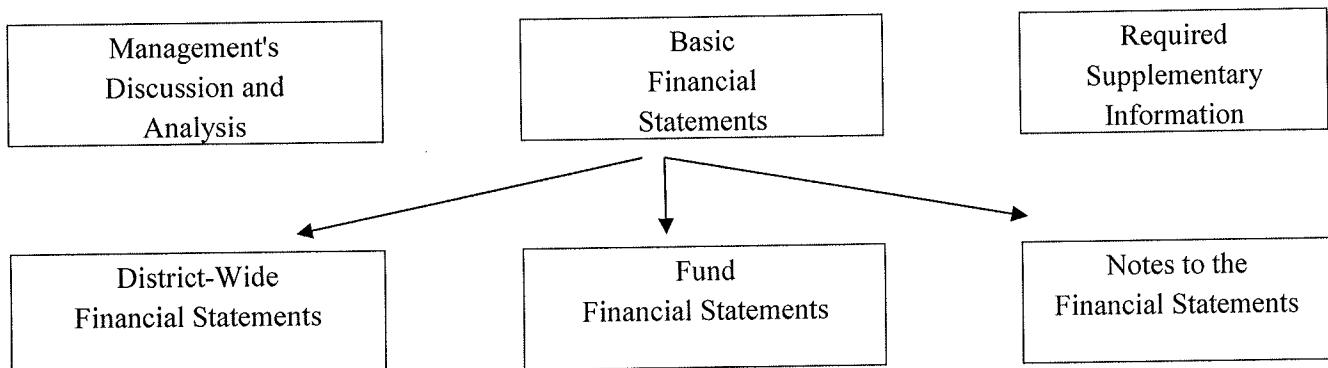
Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary 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 such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food service.
- *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.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of Borough of Mount Arlington School District's Financial Report**



**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Figure A-2 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 that structure and contents of each of the statements.

Figure A-2 *Major Features of the District-Wide and Fund Financial Statements*

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets 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 and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue 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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

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 inflows and outflows, and liabilities. All of the current year's revenue 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, deferred inflows and outflows, and liabilities – 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 position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial 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 divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is 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 establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

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 you 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, additional information at the bottom of the governmental funds statements explains the relationship (or difference) 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. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Fund Financial Statements

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

The notes to the basic financial statements 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 basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by 15.25%. Net position from governmental activities increased \$720,900 and net position from business-type activities decreased by \$1,325. Net investment in capital assets increased \$185,480, restricted net position increased \$412,989, and unrestricted net position increased \$121,106.

**Figure A-3
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016
Current and Other Assets	\$ 3,514,208	\$ 3,289,397	\$ 60,219	\$ 60,381	\$ 3,574,427	\$ 3,349,778	6.71%
Capital Assets, Net	5,989,984	5,946,901	13,384	15,987	6,003,368	5,962,888	0.68%
Total Assets	9,504,192	9,236,298	73,603	76,368	9,577,795	9,312,666	2.85%
Deferred Outflows of Resources	685,135	265,939			685,135	265,939	157.63%
Other Liabilities	390,058	761,587	21,682	23,122	411,740	784,709	-47.53%
Long-Term Liabilities	4,379,805	3,982,480			4,379,805	3,982,480	9.98%
Total Liabilities	4,769,863	4,744,067	21,682	23,122	4,791,545	4,767,189	0.51%
Deferred Inflows of Resources	33,867	93,473			33,867	93,473	-63.77%
Net Position:							
Net Investment in Capital Assets	3,799,984	3,611,901	13,384	15,987	3,813,368	3,627,888	5.11%
Restricted	2,305,167	1,892,178			2,305,167	1,892,178	21.83%
Unrestricted/(Deficit)	(719,554)	(839,382)	38,537	37,259	(681,017)	(802,123)	15.10%
Total Net Position	\$ 5,385,597	\$ 4,664,697	\$ 51,921	\$ 53,246	\$ 5,437,518	\$ 4,717,943	15.25%

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Changes in Net Position. The District's combined net position was \$5,437,518 on June 30, 2016, \$719,575 or 15.25% more than the prior year (See Figure A-3). Net investment in capital assets increased \$185,480 due to the payment of \$145,000 in bond principal, capital asset additions of \$304,589 offset by \$264,109 in depreciation. Restricted net position increased by \$412,989 due to increases in Capital Reserve of \$210,958 and \$202,031 in Excess Surplus. Unrestricted net position increased \$121,106 due to a net increase in compensated absences of \$4,366, and an increase in net pension liability of \$537,959, offset by a decrease of \$1,325 in business-type activities, a decrease in accrued interest of \$2,933, an increase in changes in pension assumptions of \$176,893, a \$50,252 change in the difference between expected and actual pension experience, a \$120,017 change in pension proportion, a decrease in investment gains in pension of \$59,606, an increase in Capital Projects committed fund balance of \$176,673; and a \$75,732 net increase in unassigned and assigned fund balance (including encumbrances) . (See Figure A-3).

**Figure A-4
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016
Revenue:							
Program Revenue:							
Charges for Services			\$ 93,790	\$ 89,042	\$ 93,790	\$ 89,042	5.33%
Grants and Contributions:							
Operating	\$ 2,537,058	\$ 2,212,445	49,709	42,594	2,586,767	2,255,039	14.71%
Capital	176,672	117,781			176,672	117,781	50.00%
General Revenue:							
Property Taxes	9,976,777	9,700,827			9,976,777	9,700,827	2.84%
Federal and State Aid Not Restricted	59,947	58,384			59,947	58,384	2.68%
Other	36,364	17,954	43	117	36,407	18,071	101.47%
Total Revenue	<u>12,786,818</u>	<u>12,107,391</u>	<u>143,542</u>	<u>131,753</u>	<u>12,930,360</u>	<u>12,239,144</u>	5.65%
Expenses:							
Instruction	5,092,611	4,756,294			5,092,611	4,756,294	7.07%
Pupil and Instruction Services	4,622,398	4,758,356			4,622,398	4,758,356	-2.86%
Administrative Services	834,014	772,425			834,014	772,425	7.97%
Maintenance and Operations	715,012	716,039			715,012	716,039	-0.14%
Transportation	470,149	465,746			470,149	465,746	0.95%
Other	331,734	426,493	144,867	133,598	476,601	560,091	-14.91%
Total Expenses	<u>12,065,918</u>	<u>11,895,353</u>	<u>144,867</u>	<u>133,598</u>	<u>12,210,785</u>	<u>12,028,951</u>	1.51%
Increase/(Decrease) in Net Position	<u>\$ 720,900</u>	<u>\$ 212,038</u>	<u>\$ (1,325)</u>	<u>\$ (1,845)</u>	<u>\$ 719,575</u>	<u>\$ 210,193</u>	242.34%

Revenue Sources. The District's total revenue for the 2015/2016 school year was \$12,930,360 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$9,976,777 of the total, or 77.16 percent (See Figure A-5). Another 21.84 percent came from state and federal aid for specific programs and contributions and 1.00 percent came from other miscellaneous sources. The Borough of Mount Arlington School District primarily conducts its operations from the revenue it receives from its local taxpayers.

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

**Figure A-5
Sources of Revenue for Fiscal Year 2016**

	<u>Amount</u>	<u>Percentage</u>
Federal and State Categorical Grants	\$ 2,077,847	16.07%
Property Taxes	9,976,777	77.16%
State Formula Aid	745,539	5.77%
Charges for Services	93,790	0.73%
Other	36,407	0.27%
	<u>\$ 12,930,360</u>	<u>100.00%</u>

The total cost of all programs and services was \$12,210,785. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (83.42 percent) (See Figure A-6). The District's administrative and business activities accounted for 6.83 percent of total costs. It is important to note that depreciation of \$264,109 is included in expenses for the year.

**Figure A-6
Expenses for Fiscal Year 2016**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 5,092,611	41.71%
Pupil and Instruction Services	4,622,398	37.86%
Administrative and Business	834,014	6.83%
Maintenance and Operations	715,012	5.86%
Transportation	470,149	3.85%
Other	476,601	3.89%
	<u>\$ 12,210,785</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District improved. However, maintaining existing programs and the provision of a multitude of special programs/services for disabled pupils places a great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

Because State aid has either remained relatively flat or been reduced over the past few years, the burden of funding education in the District has fallen on local property taxes. Therefore, it is crucial that the District examine its expenses carefully, since any proposed increase to the School District budget will be funded entirely through property taxes.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

**Figure A-7
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 5,092,611	\$ 4,756,294	\$ 2,913,060	\$ 2,878,345
Pupil and Instruction Services	4,622,398	4,758,356	4,485,619	4,627,344
Administrative and Business	834,014	772,425	754,315	708,312
Maintenance and Operations	715,012	716,039	538,340	598,258
Transportation	470,149	465,746	329,120	326,375
Other	331,734	426,493	331,734	426,493
	<u>\$ 12,065,918</u>	<u>\$ 11,895,353</u>	<u>\$ 9,352,188</u>	<u>\$ 9,565,127</u>

- The cost of all governmental activities this year was \$12.07 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$2.77 million).
- Most of the District's costs, however, were financed by District taxpayers (\$9.98 million).
- The remainder of governmental activities funding came from private contributions, investment earnings and miscellaneous revenue.

Business-Type Activities

Net position from the District's business-type activities decreased by \$1,325 due to a decrease in food service revenue. This was primarily due to a decline in student participation. (Refer to Figure A-4).

Financial Analysis of the District's Funds

The District's financial situation improved in the General Fund in spite of difficult economic times which have had a direct impact upon the District's revenue sources. However, ratables of the municipality remain more or less stable, thus generating concern for the local tax levy in the future. As a result, to maintain a stable financial position, the District must continue to practice sound fiscal management.

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 category:

- Changes made within budgetary line items were in school-based needs for programs and textbooks, and increased maintenance, legal and other professional services.

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Capital Assets**Figure A-8****Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Sites (Land)	\$ 611,500	\$ 611,500			\$ 611,500	\$ 611,500	0.00%
Site Improvements	265,197	283,020			265,197	283,020	-6.30%
Buildings and Building Improvements	4,883,031	4,848,123			4,883,031	4,848,123	0.72%
Machinery and Equipment	230,256	204,258	\$ 13,384	\$ 15,987	243,640	220,245	10.62%
Total Capital Assets (Net of Depreciation)	\$ 5,989,984	\$ 5,946,901	\$ 13,384	\$ 15,987	\$ 6,003,368	\$ 5,962,888	0.68%

The District's overall capital assets increased due to capital additions net of current year depreciation expense.

Figure A-9**Outstanding Long-Term Liabilities**

	Total School District		Total Percentage Change 2015/2016
	2015/2016	2014/2015	
General Obligation Bonds (Financed with Property Taxes)	\$ 2,190,000	\$ 2,335,000	-6.21%
Net Pension Liability	2,106,436	1,568,477	34.30%
Compensated Absences Payable	83,369	79,003	5.53%
	\$ 4,379,805	\$ 3,982,480	9.98%

- The District's compensated absences payable increased \$4,366.
- The District's net pension liability grew 34.30% or \$537,959.
- At year-end, the District had \$2,190,000 in general obligation bonds – a reduction of \$145,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Factors Bearing on the District's Future Revenue/Expense Changes

While significant decreases in aid from the State in prior years have been partially offset by increases in more recent years, the District does not anticipate a quick improvement in the State's financial condition and, consequently, does not anticipate the State will be contributing its legally mandated share of the District's operating expenditures at any point in the near future.

Increasing State regulations and State-mandated submissions and reporting requirements will have a negative impact on the ability of the existing administration to comply with all State directives while maintaining the day to day operations of the schools.

There is an apartment complex of approximately 300 units planned for the Borough of Mount Arlington scheduled to begin occupancy during spring of 2016. The amount of student impact is unknown at this time, however the District is in the process of conducting a demographic study to determine the education needs at both the K-8 level and high school level for students sent to Roxbury High School.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers 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 Board of Education Office, 446 Howard Boulevard, Mount Arlington, New Jersey 07856.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,883,877	\$ 18,779	\$ 1,902,656
Internal Balances	(37,315)	37,315	
Receivables from Federal Government	5,572	2,100	7,672
Receivables from State Government	222,048	67	222,115
Interfund Receivable	7,000		7,000
Inventory		1,958	1,958
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,345,710		1,345,710
Maintenance Reserve - Cash and Cash Equivalents	50,000		50,000
Capital Assets, Net:			
Sites (Land)	611,500		611,500
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	<u>5,378,484</u>	<u>13,384</u>	<u>5,391,868</u>
Total Assets	<u>9,466,876</u>	<u>73,603</u>	<u>9,540,479</u>
DEFERRED OUTFLOWS OF RESOURCES			
Changes in Assumptions - Pensions	226,214		226,214
Changes in Proportions - Pensions	336,635		336,635
Difference between Expected and Actual Experience - Pensions	50,252		50,252
District Contributions Subsequent to the Measurement Date - Pensions	<u>72,034</u>		<u>72,034</u>
Total Deferred Outflows of Resources	<u>685,135</u>		<u>685,135</u>
LIABILITIES			
Accrued Interest Payable	39,875		39,875
Payable to State Government	575		575
Accounts Payable	304,363	20,622	324,985
Unearned Revenue	7,929	1,060	8,989
Noncurrent Liabilities:			
Due Within One Year	145,000		145,000
Due Beyond One Year	<u>4,234,805</u>		<u>4,234,805</u>
Total Liabilities	<u>4,732,547</u>	<u>21,682</u>	<u>4,754,229</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Investment Gains - Pensions	\$ 33,867		33,867
Total Deferred Inflows of Resources	<u>33,867</u>		<u>33,867</u>
NET POSITION			
Net Investment in Capital Assets	3,799,984	\$ 13,384	3,813,368
Restricted for:			
Capital Projects	1,345,710		1,345,710
Maintenance Reserve	50,000		50,000
Excess Surplus	909,456		909,456
Debt Service	1		1
Unrestricted/(Deficit)	<u>(719,554)</u>	<u>38,537</u>	<u>(681,017)</u>
Total Net Position	<u>\$ 5,385,597</u>	<u>\$ 51,921</u>	<u>\$ 5,437,518</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 3,926,699		\$ 1,275,690		\$ (2,651,009)		\$ (2,651,009)
Special Education	982,122		843,203		(138,919)		(138,919)
Other Special Instruction	74,419		25,489		(48,930)		(48,930)
School Sponsored Instruction	109,371		35,169		(74,202)		(74,202)
Support services:							
Tuition	3,483,215		109,946		(3,373,269)		(3,373,269)
Student & Instruction Related Services	1,139,183		26,833		(1,112,350)		(1,112,350)
General Administrative Services	320,743				(320,743)		(320,743)
School Administrative Services	290,653		79,699		(210,954)		(210,954)
Central Services	222,618				(222,618)		(222,618)
Plant Operations and Maintenance	715,012			\$ 176,672	(538,340)		(538,340)
Pupil Transportation	470,149		141,029		(329,120)		(329,120)
Unallocated Depreciation	200,695				(200,695)		(200,695)
Capital Outlay	230				(230)		(230)
Interest on Long-Term Debt	90,467				(90,467)		(90,467)
Charter Schools	40,342				(40,342)		(40,342)
Total Governmental Activities	12,065,918		2,537,058	176,672	(9,352,188)		(9,352,188)
Business-Type Activities:							
Food Service	144,867	\$ 93,790	49,709			\$ (1,368)	(1,368)
Total Business-Type Activities	144,867	93,790	49,709			(1,368)	(1,368)
Total Primary Government	\$ 12,210,785	\$ 93,790	\$ 2,586,767	\$ 176,672	(9,352,188)	(1,368)	(9,353,556)

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Net (Expenses)/Revenues and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 9,738,377		\$ 9,738,377
Taxes Levied for Debt Service	238,400		238,400
Federal and State Aid Not Restricted	59,947		59,947
Investment Earnings	958	\$ 43	1,001
Miscellaneous Income	35,406		35,406
	10,073,088	43	10,073,131
Total General Revenues			
Change in Net Position	720,900	(1,325)	719,575
Net Position - Beginning	4,664,697	53,246	4,717,943
Net Position - Ending	\$ 5,385,597	\$ 51,921	\$ 5,437,518

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,818,266	\$ 8,504	\$ 57,106	\$ 1	\$ 1,883,877
Interfund Receivable	7,000				7,000
Receivables from Federal Government		5,572			5,572
Receivables from State Government	222,048				222,048
Restricted Cash and Cash Equivalents	1,395,710				1,395,710
Total Assets	\$ 3,443,024	\$ 14,076	\$ 57,106	\$ 1	\$ 3,514,207
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable	\$ 37,315				\$ 37,315
Payable to State Government		\$ 575			575
Accounts Payable - Vendors	226,757	5,572			232,329
Unearned Revenue		7,929			7,929
Total Liabilities	264,072	14,076			278,148
Fund Balances:					
Restricted:					
Capital Reserve Account	1,345,710				1,345,710
Maintenance Reserve	50,000				50,000
Excess Surplus - For Subsequent Year's Expenditures	353,701				353,701
Excess Surplus	555,755				555,755
Debt Service Fund				\$ 1	1
Committed:					
Capital Projects Fund			\$ 57,106		57,106
Assigned:					
Year End Encumbrances	358,461				358,461
For Subsequent Year's Expenditures	184,378				184,378
Unassigned	330,947				330,947
Total Fund Balances	3,178,952		57,106	1	3,236,059
Total Liabilities and Fund Balances	\$ 3,443,024	\$ 14,076	\$ 57,106	\$ 1	

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 \$9,949,206 and the accumulated depreciation is \$3,959,222. 5,989,984

Interest on long term debt is not accrued in government funds, but rather is recognized as expenditure when due. (39,875)

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore is not reported as a liability in the Funds.	\$ (2,273,369)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(2,106,436)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Changes in Assumptions - Pensions	226,214
Difference between Expected and Actual Experience - Pensions	50,252
Investments in Gains - Pensions	(33,867)
Changes in Proportions - Pensions	<u>336,635</u>
Net Position of Governmental Activities	<u><u>\$ 5,385,597</u></u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources:					
Local Tax Levy	\$ 9,738,377			\$ 238,400	\$ 9,976,777
Interest Earned on Capital Reserve Funds	958				958
Miscellaneous	35,406	\$ 5,808			41,214
Total - Local Sources	<u>9,774,741</u>	<u>5,808</u>		<u>238,400</u>	<u>10,018,949</u>
State Sources	1,506,654	416	\$ 176,672		1,683,742
Federal Sources		<u>156,210</u>			<u>156,210</u>
Total Revenues	<u>11,281,395</u>	<u>162,434</u>	<u>176,672</u>	<u>238,400</u>	<u>11,858,901</u>
EXPENDITURES					
Current:					
Regular Instruction	2,102,135	25,655			2,127,790
Special Education Instruction	552,087				552,087
Other Instruction	39,184				39,184
School Sponsored Instruction	60,756				60,756
Support Services and Undistributed Costs:					
Tuition	3,373,269	109,946			3,483,215
Student & Instruction Related Services	869,393	26,833			896,226
General Administrative Services	269,352				269,352
School Administrative Services	160,935				160,935
Central Services	175,367				175,367
Plant Operations and Maintenance	629,589				629,589

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES					
Current:					
Pupil Transportation	\$ 464,854				\$ 464,854
Unallocated Benefits	1,750,544				1,750,544
Transfer to Charter Schools	40,342				40,342
Capital Outlay	304,819				304,819
Debt Service:					
Principal				\$ 145,000	145,000
Interest and Other Charges				93,400	93,400
Total Expenditures	<u>10,792,626</u>	<u>\$ 162,434</u>		<u>238,400</u>	<u>11,193,460</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	488,769		\$ 176,672		665,441
Net Change in Fund Balances	488,769		176,672		665,441
Fund Balance/(Deficit) - July 1	<u>2,690,183</u>		<u>(119,566)</u>	<u>1</u>	<u>2,570,618</u>
Fund Balance/(Deficit) - June 30	<u>\$ 3,178,952</u>	<u>\$ -0-</u>	<u>\$ 57,106</u>	<u>\$ 1</u>	<u>\$ 3,236,059</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 665,441

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differs from capital outlays in the period.

Depreciation expense	\$ (261,506)	
Capital Outlays	<u>304,589</u>	43,083

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+). (4,366)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 2,933

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 145,000

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Changes in Net Pension Liability	\$ (537,959)	
Deferred Outflows:		
Changes in Assumptions	176,893	
Changes in Proportions	120,017	
Difference between Expected and Actual Experience	50,252	
Deferred Inflows:		
Net Difference between projected and actual investment earnings on Pension Plan Investments	59,606	
		\$ (131,191)
Change in Net Position of Governmental Activities (A-2)		\$ 720,900

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-4

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 18,779
Intergovernmental Receivable:	
Federal	2,100
State	67
Interfund Receivable	37,315
Inventory	1,958
	<hr/>
Total Current Assets	60,219
	<hr/>
Non-Current Assets:	
Capital Assets	108,180
Less: Accumulated Depreciation	(94,796)
	<hr/>
Total Non-Current Assets	13,384
	<hr/>
Total Assets	73,603
	<hr/>
LIABILITIES:	
Accounts Payable	20,622
Unearned Revenue	1,060
	<hr/>
Total Liabilities	21,682
	<hr/>
NET POSITION:	
Investment in Capital Assets	13,384
Unrestricted	38,537
	<hr/>
Total Net Position	<u>\$ 51,921</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - <u>Enterprise Funds</u> <u>Food Service</u>
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 64,459
Daily Sales - Nonreimbursable Programs	<u>29,331</u>
Total Operating Revenue	<u>93,790</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	55,586
Cost of Sales - Nonreimbursable Programs	17,406
Salaries, Benefits & Payroll Taxes	58,025
Supplies, Insurance & Other Costs	3,347
Purchased Professional Services	7,900
Depreciation Expense	<u>2,603</u>
Total Operating Expenses	<u>144,867</u>
Operating Loss	<u>(51,077)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	31,972
School Breakfast Program	6,215
Food Distribution Program	10,228
State Sources:	
State School Lunch Program	1,294
Local Sources:	
Interest Income	<u>43</u>
Total Non-Operating Revenue	<u>49,752</u>
Change in Net Position	(1,325)
Net Position - Beginning of Year	<u>53,246</u>
Net Position - End of Year	<u>\$ 51,921</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-6

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 75,514
Payments to Food Service Vendor	(134,373)
	(58,859)
Net Cash (Used for) Operating Activities	
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	40,727
	40,727
Net Cash Provided by Noncapital Financing Activities	
Cash Flows from Investing Activities:	
Interest on Investments	43
	43
Net Cash Provided by Investing Activities	
Net Decrease in Cash and Cash Equivalents	(18,089)
Cash and Cash Equivalents, July 1	36,868
Cash and Cash Equivalents, June 30	\$ 18,779
Reconciliation of Operating Loss to	
Net Cash (Used for) Operating Activities:	
Operating Loss	\$ (51,077)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	2,603
Food Distribution Program	10,228
Changes in Assets and Liabilities:	
(Increase) in Interfund Receivable	(18,276)
(Increase) in Inventory	(897)
(Decrease) in Accounts Payable	(2,256)
Increase in Unearned Revenue	309
	(58,859)
Net Cash (Used for) Operating Activities	\$ (58,859)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$10,537 and utilized U.S.D.A. Commodities valued at \$10,228.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-7

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>
ASSETS:		
Cash and Cash Equivalents	\$ 77,986	\$ 896
Interfund Receivable		5,488
Total Assets	<u>77,986</u>	<u>6,384</u>
LIABILITIES:		
Payroll Deductions and Withholdings	35,709	
Net Salaries and Wages	392	
Accrued Salaries and Wages	8,445	
Interfund Payable	12,488	
Due to Student Groups	<u>20,952</u>	
Total Liabilities	<u>77,986</u>	
NET POSITION:		
Held in Trust for Unemployment Claims		<u>6,384</u>
Total Net Position	<u>\$ -0-</u>	<u>\$ 6,384</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-8

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Employee Deductions	\$ 930
Total Contributions	<u>930</u>
Total Additions	<u>930</u>
DEDUCTIONS:	
Unemployment Claims and Contributions	<u>8,571</u>
Total Deductions	<u>8,571</u>
Change in Net Position	(7,641)
Net Position - Beginning of the Year	<u>14,025</u>
Net Position - End of the Year	<u><u>\$ 6,384</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Borough of Mount Arlington School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of 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.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include an elementary school and a middle school Borough of Mount Arlington. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other on exchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by the NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue from sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes,

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The food service funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund and Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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 generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last state aid payments for the current and prior years. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants receivable. These grants are recognized on the budgetary basis in full at the time of the award but are recognized on the GAAP basis as they are expended and requested for reimbursement.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,284,257	\$ 161,710
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not.		724
Current Year State Aid Payments Recognized for Budgetary Purposes , not Recognized for GAAP Statements	(50,452)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	47,590	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 11,281,395	\$ 162,434
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,792,626	\$ 161,710
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not		724
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 10,792,626	\$ 162,434

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	Capital Projects Fund	
	Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis)		\$ 61,893
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants Revenue Recognized/Not Recognized on GAAP Basis	\$ 176,672	(4,787)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis)	\$ 176,672	\$ 57,106

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, 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.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of government units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the governmental units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

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 restricted, 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.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost, including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	40 years
Site Improvements	15 to 30 years
Machinery and Equipment	5 to 20 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District allows employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore there are accrued salaries and wages as of June 30, 2016 of \$8,445.

N. Compensated Absences:

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences: (Cont'd)

Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions. In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$3,178,952 General Fund fund balance at June 30, 2016, \$358,461 is assigned for encumbrances; \$1,345,710 is restricted in the capital reserve account; \$50,000 has been restricted in the maintenance reserve account; \$353,701 is restricted as prior year excess surplus in accordance with N.J.S.A. 18A:7F (S1701) and has been appropriated and included as anticipated revenue for the year ending June 30, 2017, \$555,755, is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the year ending June 30, 2018; \$184,378 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017; and \$330,947 is unassigned fund balance, which is \$50,452 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2017.

Capital Projects Fund: The Capital Projects Fund has a committed fund balance of \$57,106 at June 30, 2016.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2016 is \$1.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-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 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 District had excess surplus as defined above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$50,452, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record this state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the last two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Deficit Net Position/ Fund Balance:

The District has a deficit in unrestricted net position of \$719,553 in governmental activities, which is a result of \$39,875 of accrued interest payable, \$83,369 of compensated absences payable, net pension liability of \$2,106,436, investment gains in pension of \$33,867 net of \$184,378 of fund balance designated for subsequent years' expenditures, \$358,461 assigned for encumbrances, \$330,947 unassigned general fund balance, \$57,106 committed capital projects fund balance, \$226,214 change in assumption for pensions, \$336,635 change in proportion for pensions and \$50,252 difference between expected and actual experience for pensions.

The deficit does not indicate that the District is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2016 for the changes in assumptions, changes in proportion in pensions, difference between expected and actual experience on pensions, and the district contribution subsequent to the measurement date for pensions.

The District had a deferred inflow of resources at June 30, 2016 for the net difference between projected and actual investment earnings on pension plan investments.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. 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 restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a capital reserve, a maintenance reserve and debt service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has \$57,106 in committed resources in the Capital Projects Fund at June 30, 2016 on the GAAP basis.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2016.

T. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, interest and tuition.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

U. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

V. Pensions

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 State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Board ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Board limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the Investment section of this note.

Custodial Credit Risk- The District does not have a policy with respect to custodial credit risk. However, the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Deposits:

New Jersey statutes permit the deposit of public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School Districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) 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 obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

During the period ended June 30, 2016, the District did not hold any investments.

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents		Total
		Capital Reserve	Maintenance Reserve	
Checking and Savings Accounts	\$ 1,981,538	\$ 1,345,710	\$ 50,000	\$ 3,377,248

The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$3,377,248 and the bank balance was \$3,924,063.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$2,500 on October 12, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, 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 account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015		\$ 1,134,752
Interest Earned	\$ 958	
Transferred by Board Resolution June 15, 2016	700,000	
		700,958
		1,835,710
Withdrawn by Board Resolution:		
MAPS Interior Renovations - April 27, 2016	(375,000)	
MAPS Boiler Replacement - June 22, 2016	(115,000)	
		(490,000)
Ending Balance, June 30, 2016		\$ 1,345,710

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The June 30, 2016 LRFPP balance of local support costs of uncompleted capital projects exceeds the June 30, 2016 capital reserve account balance. The withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFPP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 611,500			\$ 611,500
Total Capital Assets Not Being Depreciated	<u>611,500</u>			<u>611,500</u>
Capital Assets Being Depreciated:				
Site Improvements	434,578			434,578
Buildings and Building Improvements	7,790,542	\$ 216,093		8,006,635
Machinery and Equipment	807,997	88,496		896,493
Total Capital Assets Being Depreciated	<u>9,033,117</u>	<u>304,589</u>		<u>9,337,706</u>
Governmental Activities Capital Assets	<u>9,644,617</u>	<u>304,589</u>		<u>9,949,206</u>
Less Accumulated Depreciation for:				
Site Improvements	(151,558)	(17,823)		(169,381)
Buildings and Building Improvements	(2,942,419)	(181,185)		(3,123,604)
Machinery and Equipment	(603,739)	(62,498)		(666,237)
	<u>(3,697,716)</u>	<u>(261,506)</u>		<u>(3,959,222)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,946,901</u>	<u>\$ 43,083</u>	<u>\$ -0-</u>	<u>\$ 5,989,984</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 108,180			\$ 108,180
Less Accumulated Depreciation	(92,193)	(2,603)		(94,796)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 15,987</u>	<u>\$ (2,603)</u>	<u>\$ -0-</u>	<u>\$ 13,384</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 51,604
General Administrative Services	4,903
Plant Operations and Maintenance	4,304
Unallocated	<u>200,695</u>
	<u>\$ 261,506</u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District transferred \$520,000 to capital outlay accounts. \$30,000 of this transfer was for equipment and does not require approval of the County Superintendent. The transfer of \$490,000 was for construction services for which County Superintendent approval was obtained by the District.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2015	Accrued	Retired	Balance 6/30/2016
Serial Bonds Payable	\$ 2,335,000		\$ 145,000	\$ 2,190,000
Net Pension Liability	1,568,477	\$ 537,959		2,106,436
Compensated Absences Payable	<u>79,003</u>	<u>4,366</u>		<u>83,369</u>
	<u>\$ 3,982,480</u>	<u>\$ 542,325</u>	<u>\$ 145,000</u>	<u>\$ 4,379,805</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The current portion of bonds at June 30, 2016 is \$145,000 and the long-term portion is \$2,045,000. The Debt Service Fund will be used to liquidate bonds payable.

The District had bonds outstanding as of June 30, 2016 as follows:

<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Refunding Bonds	1/15/2028	4.00%	<u>\$ 2,190,000</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

Principal and interest due on serial bonds outstanding are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 145,000	\$ 87,600	\$ 232,600
2017	150,000	81,800	231,800
2018	160,000	75,800	235,800
2019	165,000	69,400	234,400
2020	170,000	62,800	232,800
Thereafter:			
2021-2025	965,000	205,800	1,170,800
2026-2028	435,000	26,200	461,200
	<u>\$ 2,190,000</u>	<u>\$ 609,400</u>	<u>\$ 2,799,400</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2016, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District did not have any Capital Leases Payable as of June 30, 2016.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$83,369. There is no current portion of compensated absences payable.

The General Fund will be used to liquidate the compensated absences payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the Enterprise Fund.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long-term portion is \$2,106,436. See Note 9 for further information on the PERS.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$50,000 was established by the Borough of Mount Arlington School District by board resolution on June 21, 2011. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget. The activity of the maintenance reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	<u>\$ 50,000</u>
Ending Balance, June 30, 2016	<u><u>\$ 50,000</u></u>

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Public Employee's Retirement System (PERS) of New Jersey; the Teachers' Pension and Annuity Fund (TPAF) or the Defined Contribution Retirement Program (DCRP), a tax qualified contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided

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:

<u>Tier</u>	<u>Definition</u>
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 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 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 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$80,674 for fiscal year 2016.

The employee contribution rate was 6.92% effective July 1, 2014 and increased to 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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

At June 30, 2016, the District reported a liability of \$2,106,436 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion 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 members, actuarially determined. At June 30, 2015, the District's proportion was 0.0094%, which was an increase of 0.0010% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$211,865. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	6.44	\$ 45,090	
Changes in Assumptions - 2015	5.72	181,124	
Changes in Proportion - 2014	6.44	176,798	
Changes in Proportion - 2015	5.72	159,837	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		78,525
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		(44,658)
District Contribution Subsequent to the Measurement Date - 2015	1	72,034	
Difference Between Expected and Actual Experience - 2015	5.72	<u>50,252</u>	
		<u>\$ 685,135</u>	<u>\$ 33,867</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the district contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Fiscal Year Ending June 30,	Total
2016	\$ 44,165
2017	44,165
2018	44,165
2019	70,340
2020	39,763
	\$ 242,598

Actuarial Assumptions

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

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

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

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)A. Public Employees' Retirement System (PERS) (Cont'd)Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate (Cont'd)

	June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 2,618,042	\$ 2,106,436	\$ 1,677,509

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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 represents 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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. 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 included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District.

This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$247,443 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,175,360.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$19,249,576. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion 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 members, actuarially determined. At June 30, 2015, the District's proportion was 0.0304%, which was a decrease of 0.0301% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		<u>19,249,576</u>
Total	\$	<u><u>19,249,576</u></u>

For the fiscal year ended June 30, 2015, the State recognized pension expense on behalf of the District in the amount of \$1,175,360 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321,224,871	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		1,305,927,430
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		<u>(770,568,242)</u>
		<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	2,196,835,040
	<u>\$ 6,966,979,252</u>

Actuarial Assumptions

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

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the State's proportionate share of net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	At 1% Decrease (3.13%)	At Current Discount Rate (4.13%)	At 1% Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 22,877,402	\$ 19,249,576	\$ 16,123,987

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$6,792 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$9,049 for the fiscal year ended June 30, 2016.

NOTE 10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding 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 benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on-behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$294,636, \$261,395, and \$209,214 for 2016, 2015, and 2014, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health care coverage through the Oxford Health Plan.

Property and Liability Insurance

The Borough of Mount Arlington School District is a member of the Morris Essex Insurance Group (the "Group"). The Group provides general liability, property, automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for their respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Group are elected.

As a member of the Group, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group's liabilities. The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The audit report for the year ended June 30, 2016 was not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2015 is as follows:

	<u>Morris-Essex Insurance Group</u>
Total Assets	<u>\$ 9,175,098</u>
Net Position	<u>\$ 6,102,625</u>
Total Revenue	<u>\$ 3,268,234</u>
Total Expenses	<u>\$ 1,811,032</u>
Change in Net Position	<u>\$ 692,681</u>
Member Dividends	<u>\$ 764,521</u>

Financial statements for the Group are available at the Executive Director's Office:

Burton Agency
44 Bergen Street
P.O. Box 270
Westwood, NJ 07675
(201) 664-0310

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016		\$ 930	\$ 8,571	\$ 6,384
2014-2015	\$ 1	11,312	8,962	14,025
2013-2014	2	11,698	28,713	11,674

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Lincoln Life

AXA Equitable

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2016 there were interfund receivables and payables as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 7,000	\$ 37,315
Proprietary Fund - Food Service Fund	37,315	
Fiduciary Fund	5,488	12,488
	<u>\$ 49,803</u>	<u>\$ 49,803</u>

The interfund receivable in the General Fund represents employee health contributions held in the Fiduciary Fund of \$7,000. The interfund payable in the General Fund, \$37,315, due to the Food Service Fund is due to state and federal subsidy reimbursements that have been received but not transferred to the Food Service Fund. The interfund receivable and payable in the Fiduciary Fund for \$5,488, represents unemployment contributions held in the Payroll Agency Account.

NOTE 14. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation

The Board is periodically involved in claims or lawsuits arising in the normal course of business. The Board does not believe that the ultimate outcome of these cases would have a material adverse effect on the District's financial position.

Grant Programs

The District participates in federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management of the District is not aware of any material items of noncompliance which would result in the disallowance of grant program expenditures.

Arbitrage

The District is not subject to liability for arbitrage payable to the federal government relative to its \$2,600,000 School Bonds dated September 14, 2005 as the District is considered a small issuer with debt under \$15,000,000.

Encumbrances

At June 30, 2016, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Total Governmental Funds
\$ 358,461	\$ 358,461
<u>\$ 358,461</u>	<u>\$ 358,461</u>

NOTE 16. TAX CALENDAR

Property taxes are levied by the District's constituent municipality as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and September 12. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the school district on a predetermined mutually agreed-upon schedule.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 17. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental and Business-Type Activities as of June 30, 2016 consisted of the following:

	<u>Governmental Funds</u>		District Contribution Subsequent to the Measurement Date	Total Governmental Activities	<u>Business-Type Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>			<u>Proprietary Funds</u>
Vendors	\$ 226,757	\$ 5,572		\$ 232,329	\$ 20,622
State of New Jersey			\$ 72,034	72,034	
	<u>\$ 226,757</u>	<u>\$ 5,572</u>	<u>\$ 72,034</u>	<u>\$ 304,363</u>	<u>\$ 20,622</u>

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.0083773906%	0.0093836240%
District's proportionate share of the net pension liability	\$ 1,568,477	\$ 2,106,436
District's covered employee payroll	\$ 567,642	\$ 570,668
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	276.31%	369.12%
Plan fiduciary net position as a percentage of the total pension liability for the local group	52.08%	47.93%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 69,062	\$ 80,674
Contributions in relation to the contractually required contribution	<u>(69,062)</u>	<u>(80,674)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 570,668	\$ 553,391
Contributions as a percentage of covered employee payroll	12.10%	14.58%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

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BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY- ASSOCIATED WITH THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the District	0.0301625284%	0.0304561326%
State's proportionate share of the net pension liability attributable to the District	\$ 16,120,890	\$ 19,249,576
District's covered employee payroll	\$ 3,066,789	\$ 3,123,921
State's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	525.66%	616.20%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

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BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 867,455	\$ 1,175,360
Contributions in relation to the contractually required contribution	<u>(164,657)</u>	<u>(247,443)</u>
Contribution deficiency/(excess)	<u>\$ 702,798</u>	<u>\$ 927,917</u>
District's covered employee payroll	\$ 3,066,789	\$ 3,123,921
Contributions as a percentage of covered employee payroll	28.29%	37.62%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 9,738,377		\$ 9,738,377	\$ 9,738,377	
Interest Earned on Capital Reserve Funds	1,000		1,000	958	\$ (42)
Miscellaneous	10,000		10,000	35,406	25,406
Total - Local Sources	<u>9,749,377</u>		<u>9,749,377</u>	<u>9,774,741</u>	<u>25,364</u>
State Sources:					
Categorical Special Education Aid	338,797		338,797	338,797	
Categorical Security Aid	50,935		50,935	50,935	
Adjustment Aid	84		84	84	
Categorical Transportation Aid	137,936		137,936	137,936	
PAARC Readiness Aid	4,625		4,625	4,625	
Per Pupil Growth Aid	4,625		4,625	4,625	
Extraordinary Special Education Costs Aid	80,000		80,000	207,571	127,571
Nonpublic School Transportation Costs				3,828	3,828
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				247,443	247,443
On-Behalf TPAF Post Retirement Medical (non-budgeted)				294,636	294,636
Reimbursed TPAF Social Security Contributions (non-budgeted)				219,036	219,036
Total State Sources	<u>617,002</u>		<u>617,002</u>	<u>1,509,516</u>	<u>892,514</u>
TOTAL REVENUES	<u>10,366,379</u>		<u>10,366,379</u>	<u>11,284,257</u>	<u>917,878</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 141,050	\$ 4,691	\$ 145,741	\$ 145,741	
Grades 1-5 - Salaries of Teachers	983,384	1,898	985,282	948,403	\$ 36,879
Grades 6-8 - Salaries of Teachers	812,837	474	813,311	803,816	9,495
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000	1,072	2,072	2,072	
Purchased Professional - Educational Services	500	(500)			
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	58,140	2,460	60,600	60,600	
Purchased Professional - Educational Services	345	40	385	385	
Other Purchased Services (400-500 series)	63,724	(10,589)	53,135	45,267	7,868
General Supplies	135,180	(39,308)	95,872	92,264	3,608
Textbooks	40,000		40,000	2,962	37,038
Other Objects	608	17	625	625	
Total Regular Programs - Instruction	<u>2,236,768</u>	<u>(39,745)</u>	<u>2,197,023</u>	<u>2,102,135</u>	<u>94,888</u>
Special Education - Instruction:					
Auditory Impairments:					
Purchased Professional - Educational Services	40,280		40,280	38,624	1,656
General Supplies	330	137	467	467	
Other Objects	225		225	150	75
Total Auditory Impairments	<u>40,835</u>	<u>137</u>	<u>40,972</u>	<u>39,241</u>	<u>1,731</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 270,260	\$ 27,534	\$ 297,794	\$ 292,766	\$ 5,028
Other Salaries for Instruction	21,060		21,060		21,060
General Supplies	800	1,228	2,028	2,028	
Total Resource Room/Resource Center	<u>292,120</u>	<u>28,762</u>	<u>320,882</u>	<u>294,794</u>	<u>26,088</u>
Autism					
Salaries of Teachers	71,116	419	71,535	71,405	130
Other Salaries for Instruction	16,524	2,103	18,627	18,400	227
General Supplies	500	1,168	1,668	1,182	486
Total Autism	<u>88,140</u>	<u>3,690</u>	<u>91,830</u>	<u>90,987</u>	<u>843</u>
Preschool Disabilities - Full-time:					
Salaries of Teachers	115,769	(24,932)	90,837	89,263	1,574
Other Salaries for Instruction	42,770	1,072	43,842	37,375	6,467
General Supplies	1,500	(460)	1,040	427	613
Total Preschool Disabilities - Full-time	<u>160,039</u>	<u>(24,320)</u>	<u>135,719</u>	<u>127,065</u>	<u>8,654</u>
Total Special Education Instruction	<u>581,134</u>	<u>8,269</u>	<u>589,403</u>	<u>552,087</u>	<u>37,316</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	33,138	(45)	33,093	27,108	5,985
General Supplies	736	(253)	483	483	
Total Basic Skills/Remedial - Instruction	<u>33,874</u>	<u>(298)</u>	<u>33,576</u>	<u>27,591</u>	<u>5,985</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Bilingual Education - Instruction:					
Salaries of Teachers	\$ 11,623		\$ 11,623	\$ 11,593	\$ 30
Total Bilingual - Instruction	<u>11,623</u>		<u>11,623</u>	<u>11,593</u>	<u>30</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	21,317	\$ 8	21,325	21,325	
Purchased Services (300-500 series)	1,200	34	1,234	1,234	
Supplies and Materials	<u>2,730</u>	<u>(34)</u>	<u>2,696</u>		<u>2,696</u>
Total School-Sponsored Cocurricular Activities - Instruction	<u>25,247</u>	<u>8</u>	<u>25,255</u>	<u>22,559</u>	<u>2,696</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	32,688		32,688	32,074	614
Purchased Services (300-500 series)	5,400		5,400	4,531	869
Supplies and Materials	5,000		5,000	842	4,158
Other Objects	<u>750</u>		<u>750</u>	<u>750</u>	
Total School-Sponsored Cocurricular Athletics - Instruction	<u>43,838</u>		<u>43,838</u>	<u>38,197</u>	<u>5,641</u>
Other Instructional Programs - Instruction:					
Salaries	<u>8,593</u>		<u>8,593</u>		<u>8,593</u>
Total Other Instructional Programs - Instruction	<u>8,593</u>		<u>8,593</u>		<u>8,593</u>
Total Instruction	<u>2,941,077</u>	<u>(31,766)</u>	<u>2,909,311</u>	<u>2,754,162</u>	<u>155,149</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	\$ 2,650,512		\$ 2,650,512	\$ 2,586,257	\$ 64,255
Tuition to Other LEAs Within the State - Special	218,883		218,883	103,237	115,646
Tuition to CSSD & Regional Day Schools		\$ 148,179	148,179	144,592	3,587
Tuition to County Vocational Schools - Regular	75,922	6,824	82,746	77,052	5,694
Tuition to Private Schools for the Disabled - Within the State	696,305	(155,003)	541,302	429,825	111,477
Tuition - State Facilities	32,306		32,306	32,306	
Total Undistributed Expenditures - Instruction:	<u>3,673,928</u>		<u>3,673,928</u>	<u>3,373,269</u>	<u>300,659</u>
Attendance and Social Work:					
Salaries	8,490	2,243	10,733	10,733	
Total Attendance and Social Work	<u>8,490</u>	<u>2,243</u>	<u>10,733</u>	<u>10,733</u>	
Health Services:					
Salaries	125,245		125,245	125,210	35
Purchased Professional and Technical Services	5,000	(379)	4,621	3,700	921
Supplies and Materials	1,500	488	1,988	1,988	
Other Objects	877	75	952	952	
Total Health Services	<u>132,622</u>	<u>184</u>	<u>132,806</u>	<u>131,850</u>	<u>956</u>
Speech, OT, PT, and Related Services:					
Salaries	254,139	(12,930)	241,209	212,875	28,334
Purchased Professional - Educational Services	20,895	12,930	33,825	29,730	4,095
Supplies and Materials	3,400		3,400	2,198	1,202
Total Speech, OT, PT, and Related Services	<u>278,434</u>		<u>278,434</u>	<u>244,803</u>	<u>33,631</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Extraordinary Services:					
Salaries	\$ 158,837		\$ 158,837	\$ 99,616	\$ 59,221
Total Other Support Services - Students - Extraordinary Services	<u>158,837</u>		<u>158,837</u>	<u>99,616</u>	<u>59,221</u>
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	28,191	\$ 5,303	33,494	33,494	
Total Other Support Services - Students - Guidance	<u>28,191</u>	<u>5,303</u>	<u>33,494</u>	<u>33,494</u>	
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	140,507	(2,659)	137,848	136,926	922
Salaries of Secretarial and Clerical Assistants	35,343	535	35,878	35,878	
Other Purchased Professional and Technical Services	111,618	(6,131)	105,487	24,887	80,600
Supplies and Materials	2,000	(50)	1,950	1,729	221
Other Objects	225	50	275	275	
Total Other Support Services - Students - Child Study Teams	<u>289,693</u>	<u>(8,255)</u>	<u>281,438</u>	<u>199,695</u>	<u>81,743</u>
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	131,662	722	132,384	132,384	
Salaries of Other Professional Staff	7,000	598	7,598	7,598	
Total Improvement of Instructional Services	<u>138,662</u>	<u>1,320</u>	<u>139,982</u>	<u>139,982</u>	

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Educational Media Services/School Library:					
Purchased Professional and Technical Services	\$ 5,000	\$ (249)	\$ 4,751		\$ 4,751
Supplies and Materials	2,785		2,785	\$ 1,997	788
Other Objects	2,380	249	2,629	2,530	99
Total Educational Media Services/School Library	<u>10,165</u>		<u>10,165</u>	<u>4,527</u>	<u>5,638</u>
Instructional Staff Training Services:					
Other Purchased Professional and Technical Services	11,500	(1,320)	10,180	2,780	7,400
Other Purchased Services	10,000		10,000	1,913	8,087
Other Objects	1,000		1,000		1,000
Total Instructional Staff Training Services	<u>22,500</u>	<u>(1,320)</u>	<u>21,180</u>	<u>4,693</u>	<u>16,487</u>
Support Services - General Administration:					
Salaries	159,195	7,294	166,489	166,489	
Legal Services	20,428	18,052	38,480	35,311	3,169
Audit Fees	17,500	1,000	18,500	18,500	
Other Purchased Professional Services	13,803	(2,332)	11,471	7,626	3,845
Communications/Telephone	40,000	(21,122)	18,878	16,526	2,352
BOE Other Purchased Services	4,000		4,000	2,896	1,104
Miscellaneous Purchased Services (400-500 series)	12,488	1,592	14,080	14,012	68
General Supplies	400	(201)	199	199	
Miscellaneous Expenditures	4,514	(2,038)	2,476	2,379	97
BOE Membership Dues and Fees	5,830	(79)	5,751	5,414	337
Total Support Services - General Administration	<u>278,158</u>	<u>2,166</u>	<u>280,324</u>	<u>269,352</u>	<u>10,972</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 119,072	\$ 1,937	\$ 121,009	\$ 121,009	
Salaries of Secretarial and Clerical Assistants	33,960	2,040	36,000	33,301	\$ 2,699
Purchased Professional and Technical Services	2,830	2,278	5,108	5,108	
Other Purchased Services (400-500 series)	500	11	511	511	
Supplies and Materials	3,500	(3,260)	240	185	55
Other Objects	1,742	(921)	821	821	
Total Support Services - School Administration	<u>161,604</u>	<u>2,085</u>	<u>163,689</u>	<u>160,935</u>	<u>2,754</u>
Central Services:					
Salaries	154,666	(1,586)	153,080	153,080	
Purchased Technical Services	16,245	179	16,424	16,424	
Miscellaneous Purchased Services	1,000		1,000	994	6
Supplies and Materials	2,200	500	2,700	2,670	30
Miscellaneous Expenditures	2,715	(516)	2,199	2,199	
Total Central Services	<u>176,826</u>	<u>(1,423)</u>	<u>175,403</u>	<u>175,367</u>	<u>36</u>
Required Maintenance of School Facilities:					
Salaries	52,449	(1,316)	51,133	51,133	
Cleaning, Repair and Maintenance Services	127,224	(538)	126,686	87,974	38,712
General Supplies	17,443		17,443	2,485	14,958
Total Required Maintenance of School Facilities	<u>197,116</u>	<u>(1,854)</u>	<u>195,262</u>	<u>141,592</u>	<u>53,670</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 187,865	\$ 8,110	\$ 195,975	\$ 193,114	\$ 2,861
Purchased Professional and Technical Services	6,015	365	6,380	5,365	1,015
Cleaning, Repair and Maintenance Services	54,400	(3,308)	51,092	14,036	37,056
Other Purchased Property Services	42,260		42,260	34,440	7,820
Insurance	72,153	842	72,995	72,995	
General Supplies	27,557	(651)	26,906	24,732	2,174
Energy (Natural Gas)	40,000		40,000	23,816	16,184
Energy (Oil)	43,000		43,000	10,166	32,834
Energy (Electricity)	90,000		90,000	71,256	18,744
Other Objects	776	125	901	901	
Total Custodial Services	564,026	5,483	569,509	450,821	118,688
Care and Upkeep of Grounds:					
Salaries	18,927	(371)	18,556	18,556	
Cleaning, Repair and Maintenance Services	17,250		17,250	11,220	6,030
General Supplies	1,500		1,500		1,500
Total Care and Upkeep of Grounds	37,677	(371)	37,306	29,776	7,530
Security					
Purchased Technical Services	4,500	(1,675)	2,825	2,825	
Cleaning, Repair and Maintenance Services	5,164	81	5,245	4,130	1,115
		445	445	445	
Total Security	9,664	(1,149)	8,515	7,400	1,115

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	\$ 19,800	\$ (2,646)	\$ 17,154	\$ 17,154	
Contracted Services:					
Between Home and School - Vendors	450		450		\$ 450
Other Than Between Home and School - Vendors	20,700		20,700	17,450	3,250
Between Home and School - Joint Agreements	75,000		75,000		75,000
Special Education Students - Joint Agreements	118,224		118,224	44,008	74,216
Regular Students - ESC's and CTSA's	282,000		282,000	224,844	57,156
Special Education Students - ESC's and CTSA's	142,000		142,000	138,580	3,420
Aid in Lieu - Nonpublic Schools	35,685		35,685	22,818	12,867
Total Student Transportation Services	<u>693,859</u>	<u>\$ (2,646)</u>	<u>691,213</u>	<u>464,854</u>	<u>226,359</u>
Unallocated Benefits:					
Social Security Contributions	85,000	1,257	86,257	86,257	
Other Retirement Contributions - PERS	80,000	7,674	87,674	87,466	208
Workmen's Compensation	67,500	(1,257)	66,243	50,779	15,464
Health Benefits	865,000	(7,674)	857,326	744,770	112,556
Tuition Reimbursement	26,187		26,187	9,075	17,112
Other Employee Benefits	13,783		13,783	11,082	2,701
Total Unallocated Benefits	<u>1,137,470</u>		<u>1,137,470</u>	<u>989,429</u>	<u>148,041</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
On-Behalf Contributions:					
On-Behalf TPAF Non-Contributory Insurance (non-budgeted)				\$ 247,443	\$ (247,443)
On-Behalf TPAF Post Retirement Medical (non-budgeted)				294,636	(294,636)
Reimbursed TPAF Social Security Contributions (non-budgeted)				219,036	(219,036)
Total On-Behalf Contributions				<u>761,115</u>	<u>(761,115)</u>
Total Personal Services - Employee Benefits	<u>\$ 1,137,470</u>		<u>\$ 1,137,470</u>	<u>1,750,544</u>	<u>(613,074)</u>
Total Undistributed Expenses	<u>7,997,922</u>	<u>\$ 1,766</u>	<u>7,999,688</u>	<u>7,693,303</u>	<u>306,385</u>
TOTAL GENERAL CURRENT EXPENSE	<u>10,938,999</u>	<u>(30,000)</u>	<u>10,908,999</u>	<u>10,447,465</u>	<u>461,534</u>
Transfer of Funds to Charter Schools	<u>53,790</u>		<u>53,790</u>	<u>40,342</u>	<u>13,448</u>
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 6-8	3,500	32,795	36,295	29,726	6,569
Undistributed Expenditures:					
Custodial Services	<u>10,000</u>	<u>(2,795)</u>	<u>7,205</u>		<u>7,205</u>
Total Equipment	<u>13,500</u>	<u>30,000</u>	<u>43,500</u>	<u>29,726</u>	<u>13,774</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	\$ 9,040	\$ 35,000	\$ 44,040	\$ 26,781	\$ 17,259
Other Purchased Professional and Technical Services		2,550	2,550	2,550	
Construction Services	126,322	452,450	578,772	245,532	333,240
Other Objects - Debt Service Assessment	230		230	230	
Total Facilities Acquisition and Construction Services	<u>135,592</u>	<u>490,000</u>	<u>625,592</u>	<u>275,093</u>	<u>350,499</u>
TOTAL CAPITAL OUTLAY	<u>149,092</u>	<u>520,000</u>	<u>669,092</u>	<u>304,819</u>	<u>364,273</u>
TOTAL EXPENDITURES	<u>11,141,881</u>	<u>490,000</u>	<u>11,631,881</u>	<u>10,792,626</u>	<u>839,255</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(775,502)</u>	<u>(490,000)</u>	<u>(1,265,502)</u>	<u>491,631</u>	<u>1,757,133</u>
Fund Balance, July 1	<u>2,737,773</u>		<u>2,737,773</u>	<u>2,737,773</u>	
Fund Balance, June 30	<u>\$ 1,962,271</u>	<u>\$ (490,000)</u>	<u>\$ 1,472,271</u>	<u>\$ 3,229,404</u>	<u>\$ 1,757,133</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Recapitulation:

Restricted:

Excess Surplus	\$ 555,755
Excess Surplus - Designated for Subsequent Year's Expenditures	353,701
Capital Reserve	1,345,710
Maintenance Reserve	50,000

Assigned:

Year-End Encumbrances	358,461
Designated for Subsequent Year's Expenditures	184,378

Unassigned

381,399
<u>3,229,404</u>

Reconciliation to Governmental Funds Statement (GAAP):

Last Two State Aid Payments not Recognized on GAAP Basis	<u>(50,452)</u>
----------------------------------------------------------	-----------------

Fund Balance per Governmental Funds (GAAP)

<u>\$ 3,178,952</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 13,737	\$ 13,737	\$ 5,808	\$ (7,929)
State Sources	\$ 4,474	(3,608)	866	416	(450)
Federal Sources	125,000	34,017	159,017	155,486	(3,531)
Total Revenues	<u>\$ 129,474</u>	<u>\$ 44,146</u>	<u>\$ 173,620</u>	<u>\$ 161,710</u>	<u>\$ (11,910)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	\$ 20,000	\$ (1,000)	\$ 19,000	\$ 16,099	\$ 2,901
Tuition	90,000	19,946	109,946	109,946	
General Supplies	4,474	12,631	17,105	8,546	8,559
Textbooks		286	286	286	
Total Instruction	<u>114,474</u>	<u>31,863</u>	<u>146,337</u>	<u>134,877</u>	<u>11,460</u>
Support Services					
Personal Services - Employee Benefits		4,015	4,015	4,015	
Purchased Professional/Educational Services	15,000	8,268	23,268	22,818	450
Total Support Services	<u>15,000</u>	<u>12,283</u>	<u>27,283</u>	<u>26,833</u>	<u>450</u>
Total Expenditures	<u>\$ 129,474</u>	<u>\$ 44,146</u>	<u>\$ 173,620</u>	<u>\$ 161,710</u>	<u>\$ 11,910</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,284,257	\$ 161,710
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not		724
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(50,452)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	47,590	
	<hr/>	<hr/>
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 11,281,395</u>	<u>\$ 162,434</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 10,792,626	\$ 161,710
Differences - Budget to GAAP		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not		724
	<hr/>	<hr/>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 10,792,626</u>	<u>\$ 162,434</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts 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)l. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during year).

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 generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The general fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last two state aid payments for the current and prior years. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>No Child Left Behind</u>			<u>IDEA Part B</u>	
	<u>Title I</u>	<u>Title II Part A</u>	<u>Title III</u>	<u>Basic</u>	<u>Preschool</u>
REVENUE:					
Local Sources					
State Sources					
Federal Sources	\$ 21,671	\$ 22,688	\$ 1,181	\$ 105,969	\$ 3,977
Total Revenue	<u>21,671</u>	<u>22,688</u>	<u>1,181</u>	<u>105,969</u>	<u>3,977</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	16,099				
Tuition				105,969	3,977
General Supplies	1,557		1,181		
Textbooks					
Total Instruction	<u>17,656</u>		<u>1,181</u>	<u>105,969</u>	<u>3,977</u>
Support Services:					
Personal Services - Employee Benefits	4,015				
Purchased Professional/Educational Services		22,688			
Total Support Services	<u>4,015</u>	<u>22,688</u>			
Total Expenditures	<u>\$ 21,671</u>	<u>\$ 22,688</u>	<u>\$ 1,181</u>	<u>\$ 105,969</u>	<u>\$ 3,977</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Nonpublic Textbook</u>	<u>Nonpublic Technology</u>	<u>Local Grants</u>	<u>Totals</u>
REVENUE:				
Local Sources			\$ 5,808	\$ 5,808
State Sources	\$ 286	\$ 130		416
Federal Sources				155,486
	<u>286</u>	<u>130</u>	<u>5,808</u>	<u>161,710</u>
Total Revenue				
EXPENDITURES:				
Instruction:				
Salaries of Teachers				16,099
Tuition				109,946
General Supplies			5,808	8,546
Textbooks	286			286
	<u>286</u>		<u>5,808</u>	<u>134,877</u>
Total Instruction				
Support Services:				
Personal Services - Employee Benefits				4,015
Purchased Professional/Educational Services		130		22,818
		<u>130</u>		<u>26,833</u>
Total Support Services				
Total Expenditures	<u>\$ 286</u>	<u>\$ 130</u>	<u>\$ 5,808</u>	<u>\$ 161,710</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

CAPITAL PROJECTS FUND

Exhibit F-1

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

Fund Balance - Beginning Balance	\$ 61,893
Fund Balance - Ending Balance	<u>\$ 61,893</u>
 <u>Recapitulation:</u>	
Committed Fund Balance	\$ 61,893
 Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	<u>(4,787)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 57,106</u>
 Reconciliation of Revenue from Budgetary Basis to GAAP Basis:	
SDA Grants Revenue (Budgetary Basis)	\$ -0-
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recognized on the GAAP Basis until Expended and Submitted for Reimbursement	<u>176,672</u>
SDA Grants Revenue (GAAP Basis)	<u>\$ 176,672</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
EDITH M. DECKER SCHOOL - HVAC REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
SDA Grant	\$ 126,580		\$ 126,580	\$ 126,580
Transfer from Capital Reserve	189,868		189,868	189,868
Total Revenues and Other Financing Sources	<u>316,448</u>		<u>316,448</u>	<u>316,448</u>
Expenditures:				
Purchased Professional and Technical Services	21,316		21,316	22,440
Construction Services	256,985		256,985	294,008
Total Expenditures	<u>278,301</u>		<u>278,301</u>	<u>316,448</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 38,147</u>	<u>\$ -0-</u>	<u>\$ 38,147</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number	3410-045-14-1001
Grant Date	May 2, 2014
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 276,448
Additional Transfer from Capital Reserve	40,000
Revised Authorized Cost	<u>\$ 316,448</u>
Percentage Completion	87.95%
Original Target Completion Date	September 1, 2015
Revised Target Completion Date	September 1, 2016

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
EDITH M. DECKER SCHOOL - WINDOW REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Authorized Cost</u>
Revenue and Other Financing Sources:				
SDA Grant	\$ 59,660		\$ 59,660	\$ 59,660
Transfer from Capital Reserve	129,492		129,492	129,492
Total Revenues and Other Financing Sources	<u>189,152</u>		<u>189,152</u>	<u>189,152</u>
Expenditures:				
Purchased Professional and Technical Services	14,114		14,114	14,114
Construction Services	161,800		161,800	175,038
Total Expenditures	<u>175,914</u>		<u>175,914</u>	<u>189,152</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 13,238</u>	<u>\$ -0-</u>	<u>\$ 13,238</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number	3410-045-14-1001
Grant Date	May 2, 2014
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	<u>\$ 189,152</u>
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	93.00%
Original Target Completion Date	September 1, 2015
Revised Target Completion Date	September 1, 2016

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
MOUNT ARLINGTON PUBLIC SCHOOL - ELEVATOR
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Authorized Cost
Revenue and Other Financing Sources:				
SDA Grant	\$ 113,000		\$ 113,000	\$ 113,000
Transfer from Capital Reserve	169,500		169,500	169,500
Total Revenues and Other Financing Sources	<u>282,500</u>		<u>282,500</u>	<u>282,500</u>
Expenditures:				
Purchased Professional and Technical Services	20,577		20,577	20,577
Construction Services	251,415		251,415	261,923
Total Expenditures	<u>271,992</u>		<u>271,992</u>	<u>282,500</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 10,508</u>	<u>\$ -0-</u>	<u>\$ 10,508</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number	3410-050-14-1002
Grant Date	May 2, 2014
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	<u>\$ 282,500</u>
Percentage Completion	96.28%
Original Target Completion Date	September 1, 2015
Revised Target Completion Date	September 1, 2016

PROPRIETARY FUNDS

Exhibit G-1

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS:

Current Assets:		
Cash and Cash Equivalents	\$	18,779
Intergovernmental Receivable:		
Federal		2,100
State		67
Interfund Receivable		37,315
Inventory		1,958
		60,219
Total Current Assets		60,219
Non-Current Assets:		
Capital Assets		108,180
Less: Accumulated Depreciation		(94,796)
		13,384
Total Non-Current Assets		13,384
Total Assets		73,603
LIABILITIES:		
Accounts Payable		20,622
Unearned Revenue - Prepays		507
Unearned Revenue - Commodities		553
		21,682
Total Liabilities		21,682
NET POSITION:		
Investment in Capital Assets		13,384
Unrestricted		38,537
		51,921
Total Net Position	\$	51,921

Exhibit G-2

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 64,459
Daily Sales - Nonreimbursable Programs	29,331
	<hr/>
Total Operating Revenue	93,790
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	55,586
Cost of Sales - Nonreimbursable Programs	17,406
Salaries, Benefits & Payroll Taxes	58,025
Supplies, Insurance & Other Costs	3,347
Management Fee	7,900
Depreciation Expense	2,603
	<hr/>
Total Operating Expenses	144,867
	<hr/>
Operating Loss	(51,077)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	31,972
School Breakfast Program	6,215
Food Distribution Program	10,228
State Sources:	
State School Lunch Program	1,294
Local Sources:	
Interest Income	43
	<hr/>
Total Non-Operating Revenue	49,752
	<hr/>
Change in Net Position	(1,325)
	<hr/>
Net Position - Beginning of Year	53,246
	<hr/>
Net Position - End of Year	\$ 51,921
	<hr/> <hr/>

Exhibit G-3

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 75,514
Payments to Food Service Vendor	(134,373)
	<hr/>
Net Cash (Used for) Operating Activities	(58,859)
Cash Flows from Noncapital Financing Activities:	
State Subsidy Reimbursements	1,389
Federal Subsidy Reimbursements	39,338
	<hr/>
Net Cash Provided by Noncapital Financing Activities	40,727
Cash Flows from Investing Activities:	
Interest on Investments	43
	<hr/>
Net Cash Provided by Investing Activities	43
Net Decrease in Cash and Cash Equivalents	(18,089)
Cash and Cash Equivalents, July 1	36,868
	<hr/>
Cash and Cash Equivalents, June 30	\$ 18,779
	<hr/> <hr/>
Reconciliation of Operating Loss to	
Net Cash (Used for) Operating Activities:	
Operating Loss	\$ (51,077)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	2,603
Food Distribution Program	10,228
Changes in Assets and Liabilities:	
Increase in Unearned Revenue - Prepaid	507
(Increase) in Interfund Receivable	(18,276)
(Increase) in Inventory	(897)
(Decrease) in Accounts Payable	(2,256)
Increase in Unearned Revenue - Commodities	309
	<hr/>
Net Cash (Used for) Operating Activities	\$ (58,859)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$10,537 and utilized U.S.D.A. Commodities valued at \$10,228.

FIDUCIARY FUNDS

Exhibit H-1

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Agency</u>		<u>Total</u>	<u>Unemployment Compensation Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>		
ASSETS:				
Cash and Cash Equivalents	\$ 20,952	\$ 57,034	\$ 77,986	\$ 896
Interfund Receivable				5,488
Total Assets	<u>20,952</u>	<u>57,034</u>	<u>77,986</u>	<u>6,384</u>
LIABILITIES:				
Payroll Deductions and Withholdings		35,709	35,709	
Net Salaries and Wages		392	392	
Accrued Salaries and Wages		8,445	8,445	
Interfund Payable		12,488	12,488	
Due to Student Groups	20,952		20,952	
Total Liabilities	<u>20,952</u>	<u>57,034</u>	<u>77,986</u>	
NET POSITION:				
Held in Trust for Unemployment Claims				6,384
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,384</u>

Exhibit H-2

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Employee Deductions	<u>\$ 930</u>
Total Contributions	<u>930</u>
Total Additions	<u>930</u>
DEDUCTIONS:	
Unemployment Claims and Contributions	<u>8,571</u>
Total Deductions	<u>8,571</u>
Change in Net Position	(7,641)
Net Position - Beginning of the Year	<u>14,025</u>
Net Position - End of the Year	<u><u>\$ 6,384</u></u>

Exhibit H-3

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 18,531	\$ 58,784	\$ 56,363	\$ 20,952
Total Assets	<u>\$ 18,531</u>	<u>\$ 58,784</u>	<u>\$ 56,363</u>	<u>\$ 20,952</u>
LIABILITIES:				
Due to Student Groups	\$ 18,531	\$ 58,784	\$ 56,363	\$ 20,952
Total Liabilities	<u>\$ 18,531</u>	<u>\$ 58,784</u>	<u>\$ 56,363</u>	<u>\$ 20,952</u>

Exhibit H-4

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
School Class Account	<u>\$ 18,531</u>	<u>\$ 58,784</u>	<u>\$ 56,363</u>	<u>\$ 20,952</u>
Total All Schools	<u><u>\$ 18,531</u></u>	<u><u>\$ 58,784</u></u>	<u><u>\$ 56,363</u></u>	<u><u>\$ 20,952</u></u>

Exhibit H-5

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 62,252	\$ 4,578,007	\$ 4,583,225	\$ 57,034
Total Assets	<u>\$ 62,252</u>	<u>\$ 4,578,007</u>	<u>\$ 4,583,225</u>	<u>\$ 57,034</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 34,669	\$ 2,173,512	\$ 2,172,472	\$ 35,709
Interfund Payable	20,516	12,488	20,516	12,488
Accrued Salaries and Wages	7,067	8,445	7,067	8,445
Net Salaries and Wages		<u>2,383,562</u>	<u>2,383,170</u>	<u>392</u>
Total Liabilities	<u>\$ 62,252</u>	<u>\$ 4,578,007</u>	<u>\$ 4,583,225</u>	<u>\$ 57,034</u>

LONG-TERM DEBT

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2016		Interest Rate	Balance June 30, 2015	Matured	Balance June 30, 2016
			Date	Amount				
Refunding Bonds	09/14/05	\$ 3,260,000	1/15/2017	\$ 145,000	4.000%			
			1/15/2018	150,000	4.000%			
			1/15/2019	160,000	4.000%			
			1/15/2020	165,000	4.000%			
			1/15/2021	170,000	4.000%			
			1/15/2022	180,000	4.000%			
			1/15/2023	185,000	4.000%			
			1/15/2024	190,000	4.000%			
			1/15/2025	200,000	4.000%			
			1/15/2026	210,000	4.000%			
			1/15/2027	215,000	4.000%			
			1/15/2028	220,000	4.000%			
						\$ 2,335,000	\$ 145,000	\$ 2,190,000
						<u>\$ 2,335,000</u>	<u>\$ 145,000</u>	<u>\$ 2,190,000</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 238,400		\$ 238,400	\$ 238,400	
Total Revenues	<u>238,400</u>		<u>238,400</u>	<u>238,400</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	93,400		93,400	93,400	
Redemption of Principal	145,000		145,000	145,000	
Total Regular Debt Service	<u>238,400</u>		<u>238,400</u>	<u>238,400</u>	
Total Expenditures	<u>238,400</u>		<u>238,400</u>	<u>238,400</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures					
Fund Balance, July 1	<u>1</u>		<u>1</u>	<u>1</u>	
Fund Balance, June 30	<u>\$ 1</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -0-</u>
Recapitulation:					
Restricted for Subsequent Year's Expenditures				<u>\$ 1</u>	
				<u>\$ 1</u>	

STATISTICAL SECTION
(UNAUDITED)

This part of the District'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 District's overall financial health.

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net Investment in Capital Assets	\$ 957,432	\$ 1,322,896	\$ 1,577,020	\$ 1,581,654	\$ 1,682,703	\$ 2,190,115	\$ 2,425,170	\$ 2,924,264	\$ 3,611,901	\$ 3,799,984
Restricted	171,477	512,679	634,915	1,090,538	1,223,726	1,577,761	2,460,749	1,792,806	1,892,178	2,305,167
Unrestricted/(Deficit)	156,089	261,349	243,054	294,915	556,112	477,145	243,179	(264,411)	(839,382)	(719,554)
Total governmental activities net position	\$ 1,284,998	\$ 2,096,924	\$ 2,454,989	\$ 2,967,107	\$ 3,462,541	\$ 4,245,021	\$ 5,129,098	\$ 4,452,659	\$ 4,664,697	\$ 5,385,597
Business-type Activities:										
Investment in Capital Assets	\$ 34,244	\$ 24,865	\$ 20,697	\$ 17,053	\$ 13,587	\$ 23,553	\$ 19,378	\$ 20,478	\$ 15,987	\$ 13,384
Unrestricted	30,412	31,043	45,699	40,966	39,502	37,915	37,847	34,613	37,259	38,537
Total business-type activities net position	\$ 64,656	\$ 55,908	\$ 66,396	\$ 58,019	\$ 53,089	\$ 61,468	\$ 57,225	\$ 55,091	\$ 53,246	\$ 51,921
District-wide:										
Net Investment in Capital Assets	\$ 991,676	\$ 1,347,761	\$ 1,597,717	\$ 1,598,707	\$ 1,696,290	\$ 2,213,668	\$ 2,444,548	\$ 2,944,742	\$ 3,627,888	\$ 3,813,368
Restricted	171,477	512,679	634,915	1,090,538	1,223,726	1,577,761	2,460,749	1,792,806	1,892,178	2,305,167
Unrestricted/(Deficit)	186,501	292,392	288,753	335,881	595,614	515,060	281,026	(229,798)	(802,123)	(681,015)
Total District Net Position	\$ 1,349,654	\$ 2,152,832	\$ 2,521,385	\$ 3,025,126	\$ 3,515,630	\$ 4,306,489	\$ 5,186,323	\$ 4,507,750	\$ 4,717,943	\$ 5,437,518

Source: School District Financial Reports.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 3,026,269	\$ 2,539,331	\$ 2,528,689	\$ 2,683,270	\$ 2,571,625	\$ 2,680,990	\$ 3,001,062	\$ 3,127,551	\$ 3,708,862	\$ 3,926,699
Special Education	671,008	969,361	1,053,335	1,128,097	898,094	660,316	742,111	689,550	891,387	982,122
Other Special Instruction	147,288	56,601	69,168	132,778	31,848	156,166	31,846	35,390	51,575	74,419
School Sponsored Instruction		77,794	73,413	16,985	3,492	9,325	17,958	107,622	104,470	109,371
Support Services:										
Tuition	2,843,410	2,981,586	3,386,585	3,298,984	3,428,109	3,010,648	3,029,931	3,069,283	3,509,957	3,483,215
Student & Instruction Related Services	821,833	1,178,800	962,906	941,725	788,211	1,038,707	1,040,564	1,094,672	1,248,399	1,139,183
General Administrative Services	204,109	181,989	340,563	352,280	356,333	354,269	359,353	297,909	319,315	320,743
School Administrative Services	419,779	379,650	220,296	237,765	189,098	211,121	189,053	213,480	246,605	290,653
Central Services		150,516	99,580	112,909	161,217	157,106	183,459	198,757	206,505	222,618
Plant Operations and Maintenance	863,983	744,269	665,137	713,750	678,469	642,281	661,216	661,037	716,039	715,012
Pupil Transportation	363,929	495,142	455,249	492,486	511,725	503,858	466,672	564,266	465,746	470,149
Unallocated Depreciation					122,195	128,231	138,979	93,949	278,359	200,695
Capital Outlay	35,816	36,899	23,850	23,416	288	39,797	107,967	37,860	230	230
Interest on Long-Term Debt	130,737	76,215	120,794	117,217	113,407	109,432	105,389	100,835	96,142	90,467
Charter Schools					11,498	50,909	24,930	38,415	51,762	40,342
Total Governmental Activities Expenses	9,528,161	9,868,153	9,999,565	10,251,662	9,865,609	9,753,156	10,100,490	10,330,576	11,895,353	12,065,918
Business-type Activities:										
Food Service	157,505	154,680	130,194	149,650	148,138	146,972	127,284	118,756	133,598	144,867
Total Business-type Activities Expenses	157,505	154,680	130,194	149,650	148,138	146,972	127,284	118,756	133,598	144,867
Total District Expenses	9,685,666	10,022,833	10,129,759	10,401,312	10,013,747	9,900,128	10,227,774	10,449,332	12,028,951	12,210,785
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)		29,829	28,872	18,647	17,254					
Operating Grants and Contributions	631,131	1,227,546	1,265,201	739,454	1,109,685	1,145,954	1,378,670	1,295,596	2,212,445	2,537,058
Capital Grants and Contributions				32,514	4,200	1,800			117,781	176,672
Total Governmental Activities Program Revenues	631,131	1,257,375	1,294,073	790,615	1,131,139	1,147,754	1,378,670	1,295,596	2,330,226	2,713,730
Business-type Activities:										
Charges for Services:										
Food Service	118,162	109,702	110,337	109,140	106,514	106,463	89,901	86,475	89,042	93,790
Operating Grants and Contributions	33,703	35,996	30,301	32,133	36,694	34,749	33,133	29,999	42,594	49,709
Total Business-type Activities Revenues	151,865	145,698	140,638	141,273	143,208	141,212	123,034	116,474	131,636	143,499
Total District Program Revenues	782,996	1,403,073	1,434,711	931,888	1,274,347	1,288,966	1,501,704	1,412,070	2,461,862	2,857,229

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue										
Governmental Activities	\$ (8,897,030)	\$ (8,610,778)	\$ (8,705,492)	\$ (9,461,047)	\$ (8,734,470)	\$ (8,605,402)	\$ (8,721,820)	\$ (9,034,980)	\$ (9,565,127)	\$ (9,352,188)
Business-type Activities	(5,640)	(8,982)	10,444	(8,377)	(4,930)	(5,760)	(4,250)	(2,282)	(1,962)	(1,368)
Total District-wide Net (Expense)/Revenue	(8,902,670)	(8,619,760)	(8,695,048)	(9,469,424)	(8,739,400)	(8,611,162)	(8,726,070)	(9,037,262)	(9,567,089)	(9,353,556)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	7,976,039	8,557,293	8,567,494	8,752,714	8,746,381	8,921,309	9,099,735	9,281,730	9,467,364	9,738,377
Taxes Levied for Debt Service	232,149	220,368	223,267	233,906	235,194	236,294	232,231	233,013	233,463	238,400
Unrestricted Grants and Contributions	1,034,290	486,071	139,593	604,377	16,606	207,123	170,798	190,541	58,384	59,947
Tuition Charges	21,470									
Investment Earnings	85,726	61,930	103	25	9,206	8,906	3,028	6,029	948	958
Miscellaneous Income	4,524	97,044	133,100	382,143	222,517	28,389	100,105	79,482	17,006	35,406
Transfers	(3,130)					(14,139)				
Total Governmental Activities	9,351,068	9,422,706	9,063,557	9,973,165	9,229,904	9,387,882	9,605,897	9,790,795	9,777,165	10,073,088
Business-type Activities:										
Investment Earnings	448	234	44				7	148	117	43
Transfers	3,130					14,139				
Total Business-type Activities	3,578	234	44			14,139	7	148	117	43
Total District-wide	9,354,646	9,422,940	9,063,601	\$ 9,973,165	\$ 9,229,904	9,402,021	9,605,904	9,790,943	9,777,282	10,073,131
Change in Net Position										
Governmental Activities	454,038	811,928	358,065	512,118	495,434	782,480	884,077	755,815	212,038	720,900
Business-type Activities	(2,062)	(8,748)	10,488	(8,377)	(4,930)	8,379	(4,243)	(2,134)	(1,845)	(1,325)
Total District	\$ 451,976	\$ 803,180	\$ 368,553	\$ 503,741	\$ 490,504	\$ 790,859	\$ 879,834	\$ 753,681	\$ 210,193	\$ 719,575

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved/Restricted	\$ 258,240	\$ 503,552	\$ 634,890	\$1,090,538	\$1,215,159	\$1,571,644	\$1,615,711	\$1,792,806	\$1,892,177	\$2,305,166
Unreserved	243,536	400,142	344,883	376,262						
Assigned					208,567	221,117	513,878	447,770	422,778	542,839
Unassigned					436,272	341,831	321,698	351,629	375,228	330,947
Total General Fund	<u>\$ 501,776</u>	<u>\$ 903,694</u>	<u>\$ 979,773</u>	<u>\$1,466,800</u>	<u>\$1,859,998</u>	<u>\$2,134,592</u>	<u>\$2,451,287</u>	<u>\$2,592,205</u>	<u>\$2,690,183</u>	<u>\$3,178,952</u>
All Other Governmental Funds:										
Reserved/Restricted							\$ 303,249		\$ 1	\$ 1
Committed							27,911	\$ 427,947		57,106
Unreserved, Reported in:										
Special Revenue Fund/(Deficit)	\$ (627)	\$ (627)								
Debt Service Fund	21,124	9,127	\$ 25							
Unassigned/(Deficit):										
Capital Projects Fund									(119,566)	
Total All Other Governmental Funds	<u>\$ 20,497</u>	<u>\$ 8,500</u>	<u>\$ 25</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 331,160</u>	<u>\$ 427,947</u>	<u>\$ (119,565)</u>	<u>\$ 57,107</u>
Total All Governmental Funds:										
Reserved/Restricted	\$ 258,240	\$ 503,552	\$ 634,890	\$1,090,538	\$1,215,159	\$1,571,644	\$1,918,960	\$1,792,806	\$1,892,178	\$2,305,167
Committed							27,911	427,947		57,106
Unreserved	264,033	408,642	344,908	376,262						
Assigned					208,567	221,117	513,878	447,770	422,778	542,839
Unassigned					436,272	341,831	321,698	351,629	255,662	330,947
Total All Governmental Funds	<u>\$ 522,273</u>	<u>\$ 912,194</u>	<u>\$ 979,798</u>	<u>\$1,466,800</u>	<u>\$1,859,998</u>	<u>\$2,134,592</u>	<u>\$2,782,447</u>	<u>\$3,020,152</u>	<u>\$2,570,618</u>	<u>\$3,236,059</u>

Source: School District Financial Reports.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax Levy	\$ 8,208,188	\$ 8,777,661	\$ 8,790,761	\$ 8,986,620	\$ 8,981,575	\$ 9,157,603	\$ 9,331,966	\$ 9,514,743	\$ 9,700,827	\$ 9,976,777
Tuition Charges	21,470	29,829	28,872	18,647	17,254					
Interest Earnings	85,726	61,930	103	25	2,209	3,473	3,028	6,029	948	958
Miscellaneous	4,524	90,966	133,100	382,143	231,014	33,822	107,830	88,552	19,581	41,214
Other Sources		6,078	2,000							
State Sources	1,455,582	1,527,362	1,220,155	1,071,501	942,802	1,173,323	1,335,185	1,306,296	1,534,795	1,683,742
Federal Sources	209,838	186,255	182,639	304,844	186,189	181,554	206,558	170,771	148,442	156,210
Total Revenues	9,985,328	10,680,081	10,357,630	10,763,780	10,361,043	10,549,775	10,984,567	11,086,391	11,404,593	11,858,901
Expenditures										
Instruction:										
Regular Instruction	1,912,373	1,798,911	1,762,503	1,852,346	1,857,203	1,922,910	2,066,742	2,297,870	2,171,983	2,127,790
Special Education Instruction	655,631	679,361	821,890	880,935	648,581	465,620	509,134	481,046	523,612	552,087
Other Instruction	101,157	37,708	54,600	46,628	19,481	108,483	16,477	27,919	37,522	39,184
School Sponsored Instruction		56,550	56,951	62,488	8,338	6,496	18,465	75,210	60,237	60,756
Support Services:										
Tuition	2,843,410	2,981,586	3,386,585	3,298,984	3,428,109	3,010,648	3,029,931	3,069,283	3,509,957	3,483,215
Student & Instruction Related Services	760,183	889,793	763,955	744,039	615,862	818,502	828,711	876,015	1,009,145	896,226
General Administrative Services	407,532	297,020	286,258	291,091	294,801	299,658	307,757	253,530	270,740	269,352
School Administrative Services	142,459	136,469	158,318	173,379	136,413	148,874	130,159	149,593	153,263	160,935
Central Services		109,355	88,429	101,404	131,826	126,504	150,622	159,501	163,540	175,367
Plant Operations and Maintenance	620,724	634,992	597,777	646,515	731,873	578,578	595,048	589,716	651,266	629,589
Pupil Transportation	363,929	484,347	450,591	487,680	507,611	500,360	462,966	559,703	460,759	464,854
Unallocated Benefits	1,432,582	1,496,256	1,368,224	1,395,009	1,336,567	1,415,874	1,569,065	1,566,216	1,656,084	1,750,544

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Charter Schools	\$ 35,816	\$ 36,899	\$ 23,850	\$ 23,416	\$ 11,498	\$ 50,909	\$ 24,930	\$ 38,415	\$ 51,762	\$ 40,342
Capital Outlay	276,469	418,523	237,726	38,933	4,488	571,332	394,474	471,656	900,795	304,819
Debt Service:										
Principal	100,000	105,000	110,000	115,000	120,000	125,000	125,000	130,000	135,000	145,000
Interest and Other Charges	132,149	127,389	122,369	118,931	115,194	111,294	107,231	103,013	98,462	93,400
Total Expenditures	<u>9,782,407</u>	<u>10,288,151</u>	<u>10,288,017</u>	<u>10,274,768</u>	<u>9,967,845</u>	<u>10,261,042</u>	<u>10,336,712</u>	<u>10,848,686</u>	<u>11,854,127</u>	<u>11,193,460</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>202,921</u>	<u>391,930</u>	<u>69,613</u>	<u>489,012</u>	<u>393,198</u>	<u>288,733</u>	<u>647,855</u>	<u>237,705</u>	<u>(449,534)</u>	<u>665,441</u>
Other Financing Sources (Uses)										
Transfers In	9,102					542,722	346,000	433,194	40,000	
Transfers Out	<u>(9,102)</u>					<u>(556,861)</u>	<u>(346,000)</u>	<u>(433,194)</u>	<u>(40,000)</u>	
Total Other Financing Sources (Uses)						<u>(14,139)</u>				
Net Change in Fund Balances	<u>\$ 202,921</u>	<u>\$ 391,930</u>	<u>\$ 69,613</u>	<u>\$ 489,012</u>	<u>\$ 393,198</u>	<u>\$ 274,594</u>	<u>\$ 647,855</u>	<u>\$ 237,705</u>	<u>\$ (449,534)</u>	<u>\$ 665,441</u>
Debt Service as a Percentage of Noncapital Expenditures	2.5%	2.4%	2.4%	2.3%	2.4%	2.5%	2.4%	2.3%	2.2%	2.2%

Source: School District Financial Reports.

Exhibit J-5

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2007	\$ 21,470	\$ 85,726		\$ 4,524	\$ 111,720
2008	29,829	61,930		90,942	182,701
2009	28,872	18,533	\$ 9,866	104,804	162,075
2010	18,647	10,905		370,158	399,710
2011	17,254	9,206	197,348	25,169	248,977
2012		8,906	11,813	16,576	37,295
2013	3,428	7,159	87,669	4,877	103,133
2014		6,029	77,433	2,049	85,511
2015		6,317	17	11,620	17,954
2016		6,388		29,976	36,364

Source: Borough of Mount Arlington School District records.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Add: Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2006	\$ 19,179,700	\$ 557,531,300	\$ 12,300	\$ 80,109,600	\$ 234,200	\$ 14,950,200	\$ 672,017,300	\$ 24,494,400	\$ 756,987	\$ 672,774,287	\$ 1.170	\$ 819,956,474
2007	16,952,600	580,545,900	12,300	71,623,100	234,200	22,663,200	692,031,300	25,200,600	689,030	692,720,330	1.230	863,202,903
2008	17,062,800	583,095,900	6,600	69,103,400	234,200	21,200,000	690,702,900	25,948,500	700,788	691,403,688	1.270	856,015,461
2009	15,397,100	588,267,000	6,600	68,901,100	234,200	21,200,000	694,006,000	26,207,200	748,832	694,754,832	1.279	861,040,511
2010	14,412,100	582,566,100	6,600	68,131,300	234,200	21,200,000	686,550,300	26,302,000		686,550,300	1.280	838,688,370
2011	12,513,500	584,535,500	6,600	64,167,500	234,200	20,700,000	682,157,300	26,302,000		682,157,300	1.330	834,313,587
2012	12,418,800	582,055,600	6,600	63,866,600	234,200	20,700,000	679,281,800	26,302,000		679,281,800	1.361	757,281,828
2013	10,764,400	585,902,700	6,600	63,866,600	234,200	20,700,000	681,474,500	25,649,400		681,474,500	1.383	760,593,072
2014	9,834,500	589,915,700	6,500	63,866,600	234,200	20,700,000	684,557,500	25,110,900		684,557,500	1.404	754,562,774
2015	9,050,700	597,336,100	6,500	62,998,700	234,200	20,700,000	690,326,200	25,110,900		690,326,200	1.425	754,562,774

a - Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

b - Tax rates are per \$100 of assessed value.

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation.
 Reassessment occurs when ordered by the County Board of Taxation.

Source: Municipal Tax Assessor.

Exhibit J-7

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(rate per \$100 of assessed value)
UNAUDITED

Year Ended December 31,	Borough of Mount Arlington School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Mount Arlington	Morris County	
2006	\$ 1.132	\$ 0.038	\$ 1.170	\$ 0.370	\$ 0.270	\$ 1.810
2007	1.196	0.034	1.230	0.420	0.290	1.940
2008	1.238	0.032	1.270	0.572	0.289	2.131
2009	1.245	0.034	1.279	0.634	0.282	2.195
2010	1.247	0.033	1.280	0.633	0.283	2.196
2011	1.296	0.034	1.330	0.770	0.290	2.390
2012	1.327	0.034	1.361	0.794	0.288	2.443
2013	1.349	0.034	1.383	0.814	0.282	2.479
2014	1.370	0.034	1.404	0.834	0.282	2.520
2015	1.391	0.034	1.425	0.845	0.279	2.549

a - The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b - Rates for debt service are based on each year's requirements.

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

Source: Municipal Tax Collector and School Business Administrator.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Mount Arlington Corporate Center	\$ 27,264,400	1	4.00%			
East Coast Mt. Arlington Apartments	8,700,000	2	1.28%			
Carriage Club Investors, LLC	8,500,000	3	1.25%			
SNH NS Properties Trust	6,200,000	4	0.91%			
Orchards at Mt. Arlington LLC	5,198,100	5	0.76%			Not Available
Mount Arlington Koporate LLC	4,850,000	6	0.71%			
Mount Arlington Ventures, LP	4,300,000	7	0.63%			
Shore Hills Apartments, LLC	3,500,000	8	0.51%			
Brandywine Associates, LLC	1,935,900	9	0.28%			
Mount Arlington Horizons, LLC	1,932,900	10	0.28%			
Total	<u>\$ 72,381,300</u>		<u>10.62%</u>			

Source: Municipal Tax Assessor.

Exhibit J-9

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 8,208,188	\$ 8,208,188	100.00%	-0-
2008	8,777,661	8,777,661	100.00%	-0-
2009	8,790,761	8,790,761	100.00%	-0-
2010	8,986,620	8,986,620	100.00%	-0-
2011	8,981,575	8,981,575	100.00%	-0-
2012	9,157,603	9,157,603	100.00%	-0-
2013	9,331,966	9,331,966	100.00%	-0-
2014	9,514,743	9,514,743	100.00%	-0-
2015	9,700,827	9,700,827	100.00%	-0-
2016	9,976,777	9,976,777	100.00%	-0-

a - School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Borough of Mount Arlington School District records, including the Certificate and Report of School Taxes (A4F form).

Exhibit J-10

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2007	\$ 3,300,000	-0-	\$ 3,300,000	0.81%	\$ 573.71
2008	3,195,000	-0-	3,195,000	0.74%	553.82
2009	3,085,000	-0-	3,085,000	0.76%	532.36
2010	2,970,000	-0-	2,970,000	0.81%	587.65
2011	2,850,000	-0-	2,850,000	0.74%	560.36
2012	2,725,000	-0-	2,725,000	0.67%	528.31
2013	2,600,000	-0-	2,600,000	0.63%	501.25
2014	2,470,000	-0-	2,470,000	0.57%	468.87
2015	2,335,000	-0-	2,335,000	0.53%	440.57
2016	2,190,000	-0-	2,190,000	0.50%	413.21

a - See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

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

Source: School District Financial Reports.

Exhibit J-11

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	\$ 3,300,000	\$ -0-	\$ 3,300,000	0.491%	\$ 573.71
2008	3,195,000	-0-	3,195,000	0.461%	553.82
2009	3,085,000	-0-	3,085,000	0.446%	532.36
2010	2,970,000	-0-	2,970,000	0.427%	587.65
2011	2,850,000	-0-	2,850,000	0.415%	560.36
2012	2,725,000	-0-	2,725,000	0.399%	528.31
2013	2,600,000	-0-	2,600,000	0.383%	501.25
2014	2,470,000	-0-	2,470,000	0.362%	468.87
2015	2,335,000	-0-	2,335,000	0.341%	440.57
2016	2,190,000	-0-	2,190,000	0.317%	413.21

a - See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

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

Source: School District Financial Reports.

Exhibit J-12

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Mount Arlington	\$ 4,584,850	100.00%	\$ 4,584,850
Morris County General Obligation Debt	226,745,317	0.87%	<u>1,963,396</u>
Subtotal, Overlapping Debt			6,548,246
Borough of Mount Arlington School District Direct Debt			<u>2,335,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 8,883,246</u></u>

a - For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by residents and businesses of Mount Arlington. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Morris County Board of Taxation; debt outstanding data provided by each governmental unit.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis
	2015 \$ 753,466,710
	2014 758,176,431
	2013 750,357,300
	<u>\$ 2,262,000,441</u>
	Average Equalized Valuation of Taxable Property \$ 754,000,147
	Debt Limit (3% of average equalization value) ^a 22,620,004
	Net Bonded School Debt as of June 30, 2016 2,190,000
	<u>Legal Debt Margin \$ 20,430,004</u>

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 21,180,600	\$ 23,645,119	\$ 25,365,260	\$ 26,049,678	\$ 25,813,119	\$ 25,272,883	\$ 23,970,944	\$ 23,087,634	\$ 22,658,156	\$ 22,620,004
Total Net Debt Applicable to Limit	<u>3,300,000</u>	<u>3,195,000</u>	<u>3,085,000</u>	<u>2,970,000</u>	<u>2,850,000</u>	<u>2,725,000</u>	<u>2,600,000</u>	<u>2,470,000</u>	<u>2,335,000</u>	<u>2,190,000</u>
Legal Debt Margin	<u>\$ 17,880,600</u>	<u>\$ 20,450,119</u>	<u>\$ 22,280,260</u>	<u>\$ 23,079,678</u>	<u>\$ 22,963,119</u>	<u>\$ 22,547,883</u>	<u>\$ 21,370,944</u>	<u>\$ 25,272,883</u>	<u>\$ 20,323,156</u>	<u>\$ 20,430,004</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	15.58%	13.51%	12.16%	11.40%	11.04%	10.78%	10.85%	10.70%	10.31%	9.68%

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts.

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

Exhibit J-14

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Personal Income ^b	Morris County Per Capita Personal Income ^c	Unemployment Rate ^d
2007	5,752	\$ 409,605,672	71,211	3.40%
2008	5,769	430,575,084	74,636	4.10%
2009	5,795	408,605,450	70,510	7.00%
2010	5,054	367,830,120	72,780	7.00%
2011	5,086	387,522,684	76,194	7.00%
2012	5,158	405,898,494	78,693	6.80%
2013	5,187	410,260,578	79,094	7.10%
2014	5,268	436,243,080	82,810	5.70%
2015	5,300	438,893,000	82,810 **	5.00%
2016	5,300 *	438,893,000 ***	82,810 **	N/A

* - Latest Morris County population available (2015) was used for calculation purposes.

** - Latest Morris County per capita personal income available (2014) was used for calculation purposes.

***- Latest available population data (2015) and latest Morris County per capita personal income (2014) was used for calculation purposes

N/A - Not Available

Source:

a - Population information provided by the US Department of Census - Population Division.

b - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

c - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

d - Unemployment data provided by the NJ Department of Labor and Workforce Development.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - BOROUGH OF MOUNT ARLINGTON
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>2016</u>			<u>2007</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Atkins Development	200	N/A			
Enercon Services, Inc.	100	N/A			
Mount Arlington Board of Education	80	N/A			
Nisivoccia LLP	75	N/A			
Mount Arlington Senior Living	70	N/A		Not Available	
MedPro Systems	50	N/A			
Borough of Mount Arlington	44	N/A			
Courtyard by Marriott	40	N/A			
Pub 199	20	N/A			
Benefit Plan Manager Corporation	15	N/A			
	<u>694</u>	N/A			

N/A - Information not available

Source: Borough Clerk's Office

Exhibit J-16

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction:							
Regular	26.0	26.2	26.2	28.2	30.8	29.1	29.6
Special Education	21.0	20.0	19.2	24.2	21.6	21.6	22.2
Other Special Instruction	1.5						
Support Services:							
Student & Instruction Related Services	4.5	2.9	2.1	1.0	1.3	3.9	3.9
General Administrative Services	1.5	1.5	1.5	1.3	1.3	1.4	1.6
School Administrative Services	4.0	1.7	2.0	2.0	2.0	1.8	2.0
Central Services	2.0	2.0	2.0	1.5	1.5	1.5	1.5
Plant Operations and Maintenance	5.5	5.5	5.5	5.3	5.2	5.2	5.2
Pupil Transportation	0.5	0.3	0.3	0.3	0.3	0.3	0.3
Total	<u>66.5</u>	<u>60.1</u>	<u>58.8</u>	<u>63.8</u>	<u>64.0</u>	<u>64.7</u>	<u>66.3</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: District Personnel Records.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2007	616.0	* \$ 9,273,789	15,055	9.36%	47.4	1:11	1:10	407.6	385.7	-2.23%	94.63%
2008	608.0	* 9,637,239	15,851	5.29%	47.2	1:11	1:10	378.9	360.3	-7.04%	95.09%
2009	578.5	* 9,817,922	16,971	7.07%	53.0	1:07	1:08	387.8	370.9	2.35%	95.64%
2010	571.0	* 10,001,904	17,516	3.21%	48.5	1:07	1:08	383.3	364.8	-1.16%	95.17%
2011	572.5	* 9,728,163	16,992	-2.99%	46.2	1:07	1:08	373.0	356.0	-2.69%	95.44%
2012	553.0	* 9,453,416	17,095	0.60%	45.4	1:07	1:08	363.0	352.0	-2.68%	96.97%
2013	535.0	* 9,710,007	18,150	6.17%	46.0	1:07	1:08	356.0	339.5	-1.93%	95.37%
2014	486.0	* 10,144,017	20,872	15.00%	43.8	1:07	1:08	342.5	329.6	-3.79%	96.23%
2015	516.0	* 10,719,870	20,775	-0.47%	39.9	1:07	1:08	347.3	332.2	1.41%	95.66%
2016	522.0	* 10,650,241	20,403	-1.79%	39.9	1:07	1:08	346.4	331.4	-0.26%	95.67%

* - Includes High School Enrollment

N/A - Not Available

a - Operating expenditures equal total expenditures less debt service and capital outlay.

b - Teaching staff includes only full-time equivalents of certificated staff.

c - Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

d - Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Note: Enrollment based on annual October District count.

Source: Borough of Mount Arlington School District records.

Exhibit J-18

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>District Building</u>					
Edith M. Decker School (1975)					
Square Feet	24,094	24,094	24,094	24,094	24,094
Capacity (students)	142	142	142	142	142
Enrollment	121	133	127	130	123
Mount Arlington Public School (1917)					
Square Feet	49,138	49,138	49,138	49,138	49,138
Capacity (students)	339	339	339	339	339
Enrollment	284	257	248	247	250
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>					
Edith M. Decker School (1975)					
Square Feet	24,094	24,094	24,094	24,094	24,094
Capacity (students)	142	142	142	142	142
Enrollment	120	105	105	107	103
Mount Arlington Public School (1917)					
Square Feet	49,138	49,138	49,138	49,138	49,138
Capacity (students)	339	339	339	339	339
Enrollment	243	238	238	240	251

Number of Schools at June 30, 2016

 Elementary = 1

 Middle School = 1

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

Source: Borough of Mount Arlington School District Facilities Office.

Exhibit J-19

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance
 For School Facilities - Account #11-000-261-XXX:

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Edith M. Decker School	N/A	\$ 25,906	\$ 29,218	\$ 44,079	\$ 23,550	\$ 19,985
Mount Arlington School	N/A	93,407	98,738	53,144	90,845	144,649
Grand Total		<u>\$119,313</u>	<u>\$127,956</u>	<u>\$ 97,223</u>	<u>\$114,395</u>	<u>\$164,634</u>

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Edith M. Decker School	N/A	\$ 32,356	\$ 33,279	\$ 35,850	\$ 40,332	\$ 52,391
Mount Arlington School	N/A	64,712	57,082	77,150	98,251	89,201
Grand Total		<u>\$ 97,068</u>	<u>\$ 90,361</u>	<u>\$113,000</u>	<u>\$138,583</u>	<u>\$141,592</u>

N/A - Not Applicable.

* - School facilities as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3).

Source: Mount Arlington Board of Education records.

Exhibit J-20

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
<u>Morris Essex Insurance Group</u>		
Blanket Building and Contents	\$ 14,249,160	\$ 5,000
Comprehensive General Liability	1,000,000 / 2,000,000	
Umbrella Liability	10,000,000	10,000
Workers' Compensation	5,000,000	
School Board Legal/Employment Practices Liability	1,000,000	10,000/12,500
Business Auto	1,000,000	1,000
Student Accident - Monumental Life Ins. Co.	1,000,000	
Excess Liability	50,000,000	
Cyber Liability	2,000,000 / 4,000,000	15,000
Public Officials Bond - Selective Insurance:		
Board Secretary/Business Administrator	300,000	

Source: Mount Arlington Board of Education records.

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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 Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Mount Arlington School District
 County of Morris, 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Mount Arlington School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable President and Members
of the Board of Education
Borough of Mount Arlington School District
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
October 7, 2016

NISIVOCCIA LLP



Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Report on Compliance For Each Major State Program
 and Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Mount Arlington School District
 County of Morris, New Jersey

Report on Compliance for Each Major State Program

We have audited the Borough of Mount Arlington School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2016. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major 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; the audit requirements of 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's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 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 state program occurred. An audit includes examining, on a test basis, evidence about the District'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 state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Program

In our opinion, the District 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 state programs for the fiscal year ended June 30, 2016.

The Honorable President and Members
of the Board of Education
Borough of Mount Arlington School District
Page 2

Report on Internal Control Over Compliance

Management of the District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 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 District'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 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 that the testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

Mount Arlington, New Jersey
October 7, 2016

NISIVOCCIA LLP



Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015	Cash Received	Budgetary Expenditures	Balance at June 30, 2016			Amount Provided to Subrecipients
			From	To		Unearned Revenue/ (Accounts Receivable)			(Accounts Receivable)	Unearned Revenue	Due to Grantor	
U.S. Department of Education -												
Passed-through State Department of Education:												
Special Revenue Fund:												
No Child Left Behind:												
Title I	84.010A	NCLB-3410-16	7/1/2015	6/30/2016	\$ 24,180		\$ 16,099	\$ (21,671)	\$ (5,572)			
Title I	84.010A	NCLB-3410-15	7/1/2014	6/30/2015	28,357	\$ (6,637)	6,637					
Title IIA	84.367A	NCLB -3410-16	7/1/2015	6/30/2016	22,688		22,688	(22,688)				
Title IIA	84.367A	NCLB -3410-15	7/1/2014	6/30/2015	18,564	(4,057)	4,057					
Title III	83.365A	NCLB -3410-16	7/1/2015	6/30/2016	1,181		1,181	(1,181)				
						(10,694)	50,662	(45,540)	(5,572)			
Special Education Cluster:												
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3410-16	7/1/2015	6/30/2016	105,969		105,969	(105,969)				
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3410-15	7/1/2014	6/30/2015	102,356	(19,614)	19,614					
I.D.E.A. Part B, Preschool	84.173	IDEA-3410-16	7/1/2015	6/30/2016	3,977		3,977	(3,977)				
Total Special Education Cluster						(19,614)	129,560	(109,946)				
Total U.S. Department of Education						(30,308)	180,222	(155,486)	(5,572)			
Total Special Revenue Fund						(30,308)	180,222	(155,486)	(5,572)			
U.S. Department of Agriculture -												
Passed-through State Department of Agriculture:												
Enterprise Fund												
Child Nutrition Cluster:												
Food Distribution Program	10.555	N/A	7/1/2015	6/30/2016	10,537		10,537	(9,984)	\$ 553			
Food Distribution Program	10.555	N/A	7/1/2014	6/30/2015	5,883	244		(244)				
School Breakfast Program	10.553	N/A	7/1/2015	6/30/2016	6,215		5,786	(6,215)	(429)			
School Breakfast Program	10.553	N/A	7/1/2014	6/30/2015	3,965	(471)	471					
National School Lunch Program	10.555	N/A	7/1/2015	6/30/2016	31,972		30,301	(31,972)	(1,671)			
National School Lunch Program	10.555	N/A	7/1/2014	6/30/2015	30,942	(2,780)	2,780					
Total U.S. Department of Agriculture/Child Nutrition Cluster						\$ (3,007)	\$ 49,875	\$ (48,415)	\$ (2,100)	\$ 553		
Total Enterprise Fund						(3,007)	49,875	(48,415)	(2,100)	553		
TOTAL FEDERAL AWARDS						\$ (33,315)	\$ 230,097	\$ (203,901)	\$ (7,672)	\$ 553	\$ -0-	\$ -0-

N/A - Not Available/Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015		Cash Received	Budgetary Expenditures	Balance at June 30, 2016			MEMO		
		From	To		Budgetary Unearned Revenue/(Accounts Receivable)	Due to Grantor			GAAP (Accounts Receivable)	Budgetary Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education:														
General Fund:														
Categorical Special Education Aid	16-495-034-5120-089	7/1/2015	6/30/2016	\$ 338,797			\$ 306,967	\$ (338,797)				\$ (31,830)	\$ 338,797	
Categorical Security Aid	16-495-034-5120-084	7/1/2015	6/30/2016	50,935			46,151	(50,935)				(4,784)	50,935	
Adjustment Aid	16-495-034-5120-085	7/1/2015	6/30/2016	84			76	(84)				(8)	84	
Categorical Transportation Aid	16-495-034-5120-014	7/1/2015	6/30/2016	137,936			124,976	(137,936)				(12,960)	137,936	
PARCC Readiness Aid	16-495-034-5120-098	7/1/2015	6/30/2016	4,625			4,190	(4,625)				(435)	4,625	
Per Pupil Growth Aid	16-495-034-5120-097	7/1/2015	6/30/2016	4,625			4,190	(4,625)				(435)	4,625	
Extraordinary Special Education Costs Aid	16-100-034-5120-044	7/1/2015	6/30/2016	207,571				(207,571)	\$ (207,571)			(207,571)	207,571	
Nonpublic School Transportation Costs	16-495-034-5120-014	7/1/2015	6/30/2016	3,828				(3,828)	(3,828)			(3,828)	3,828	
Reimbursed TPAF Social Security Contributions	16-495-034-5095-003	7/1/2015	6/30/2016	219,036			208,387	(219,036)	(10,649)			(10,649)	219,036	
Categorical Special Education Aid	15-495-034-5120-089	7/1/2014	6/30/2015	338,797	\$ (30,025)		30,025						338,797	
Categorical Security Aid	15-495-034-5120-084	7/1/2014	6/30/2015	50,935	(4,513)		4,513						50,935	
Adjustment Aid	15-495-034-5120-085	7/1/2014	6/30/2015	84	(7)		7						84	
Categorical Transportation Aid	15-495-034-5120-014	7/1/2014	6/30/2015	137,936	(12,225)		12,225						137,936	
PARCC Readiness Aid	15-495-034-5120-097	7/1/2014	6/30/2015	4,625	(410)		410						4,625	
Per Pupil Growth Aid	15-495-034-5120-098	7/1/2014	6/30/2015	4,625	(410)		410						4,625	
Extraordinary Special Education Costs Aid	15-495-034-5120-044	7/1/2014	6/30/2015	228,501	(228,501)		228,501						228,501	
Nonpublic School Transportation Costs	15-495-034-5120-014	7/1/2014	6/30/2015	4,317	(4,317)		4,317						4,317	
Reimbursed TPAF Social Security Contributions	15-495-034-5095-003	7/1/2014	6/30/2015	226,504	(11,239)		11,239						226,504	
Total General Fund State Aid							986,584	(967,437)	(222,048)			(272,500)	1,963,761	
State Department of Education:														
Special Revenue Fund:														
Nonpublic Textbook Aid	16-100-034-5120-064	7/1/2015	6/30/2016	286			286	(286)					286	
Nonpublic Technology Initiative	16-100-034-5120-373	7/1/2015	6/30/2016	130			130			\$ 130				
Nonpublic Security Aid	16-100-034-5120-509	7/1/2015	6/30/2016	125			125							
Nonpublic Nursing Aid	16-100-034-5120-070	7/1/2015	6/30/2016	450			450	(130)				320	130	
Total Special Revenue Fund							991	(416)			575		416	
Total State Department of Education							1,164,247	(967,853)	(222,048)		575	(272,500)	1,964,177	
Capital Projects Fund:														
New Jersey School Development Authority														
Educational Facilities and Construction Financing Act:														
Edith M. Decker School - HVAC Replacement	3410-045-14-1001	5/2/2014	9/30/2016	126,580	(52,084)		52,084						52,084	
Edith M. Decker School - Window Replacement	3410-045-14-1001	5/3/2014	9/30/2016	59,660	(59,660)		59,660						59,660	
Mount Arlington Public School - Elevator	3410-050-14-1002	5/4/2014	9/30/2016	113,000	(69,715)		64,928					(4,787)	69,715	
Total Capital Projects Fund					(181,459)		176,672					(4,787)	181,459	

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015			Balance at June 30, 2016			MEMO		
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	GAAP (Accounts Receivable)	Budgetary Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Agriculture:													
Enterprise Fund:													
State School Lunch Program	16-100-010-3350-023	7/1/2015	6/30/2016	\$ 1,294			\$ 1,227	\$ (1,294)	\$ (67)		\$ (67)	\$ 1,294	
State School Lunch Program	15-100-010-3350-023	7/1/2014	6/30/2015	1,357	\$ (162)		162					1,357	
Total State Department of Agriculture							1,389	(1,294)	(67)		(67)	2,651	
Total Enterprise Fund							1,389	(1,294)	(67)		(67)	2,651	
TOTAL STATE AWARDS					\$ (473,268)	\$ -0-	\$ 1,165,636	\$ (969,147)	\$ (222,115)	\$ -0-	\$ 575	\$ (272,567)	\$ 1,966,828

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Mount Arlington School District under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of the 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's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic 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 the modified accrual basis with the exception of the revenue recognition of the last two 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 budget year due to the state deferral and recording of the last 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 revenue, whereas the GAAP basis does not. Grant revenue in the capital projects fund is recognized on the budgetary basis in the fiscal year of award but is not recognized on the GAAP basis until expended and submitted for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$2,862) for the general fund, \$724 for the special revenue fund and \$176,672 for the capital projects fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general, special revenue and capital projects funds. The schedule of expenditures of state awards does not include the TPAF Pension and Post-Retirement Medical contributions paid by the State on behalf of the District of \$247,443 and \$294,636, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,506,654	\$ 1,506,654
Special Revenue Fund	\$ 156,210	416	156,626
Capital Projects Fund		176,672	176,672
Food Service Enterprise Fund	48,415	1,294	49,709
Total Financial Assistance	<u>\$ 204,625</u>	<u>\$ 1,685,036</u>	<u>\$ 1,889,661</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

The Borough of Mount Arlington School District had no loan balances outstanding at June 30, 2016.

NOTE 7. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2016. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

NOTE 8. NJ SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANTS

The District has active grants awarded totaling \$299,240 as of June 30, 2016 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2016, \$176,672 has been expended and submitted for reimbursement. The District realizes grant revenue in the Capital Projects Fund on the GAAP basis as it is expended and submitted for reimbursement.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance..*
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

<u>State:</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Categorical Special Education Aid	495-034-5120-089	7/1/15 - 6/30/16	\$ 338,797	\$ 338,797
Categorical Security Aid	495-034-5120-084	7/1/15 - 6/30/16	50,935	50,935
Adjustment Aid	495-034-5120-085	7/1/15 - 6/30/16	84	84
PARCC Readiness Aid	495-034-5120-098	7/1/15 - 6/30/16	4,625	4,625
Per Pupil Growth Aid	495-034-5120-097	7/1/15 - 6/30/16	4,625	4,625

- The threshold used for distinguishing between Type A and Type B State programs was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

The District had no prior year audit findings.