

**MILFORD BOROUGH
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2017

**Prepared by
Milford Borough School District
Department of Administration**

**MILFORD BOROUGH
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

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**MILFORD ELEMENTARY SCHOOL DISTRICT
7 HILLSIDE AVENUE
MILFORD, NEW JERSEY 08848
Phone (908) 995-4349
Fax (908) 996-4310**

Edward Stoloski
Chief School Administrator

Todd Fay
Principal

Judy Holladay
Business Administrator/Board Secretary

November 14, 2017

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

The comprehensive annual financial report of the Milford Elementary School District for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Milford Elementary School District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report of the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

Milford Elementary School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Milford Elementary School District and the school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. This includes regular, as well as special education for special need students. The district completed the 2016-17 fiscal year with an enrollment of 80 students. The following details the changes in the student enrollment of the district over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u> <u>Student Enrollment</u>	<u>Percent Change</u>
2007-2008	114.9	1.22%
2008-2009	103.3	-10.10%
2009-2010	106.1	2.71%
2010-2011	117.1	10.36%
2011-2012	122.0	4.18%
2012-2013	115.4	-5.4%
2013-2014	107.0	-7.28%
2014-2015	94.7	-11.5%
2015-2016	92.1	-2.75%
2016-2017	80.7	-12.3%

2) ECONOMIC CONDITION AND OUTLOOK:

Milford Borough is a small town nestled in the hills of Hunterdon County. It sits on the banks of the Delaware River. Across the river is its nearest neighboring community Upper Black Eddy, Pennsylvania. The Borough has a small downtown section, which adds to the charm of the community. Besides the usual grocery, post office, and churches, the Borough is host to a compliment of small businesses, many having originated as family businesses.

3.) MAJOR INITIATIVES:

As a small rural school, there are numerous financial challenges facing our district. Escalating costs of expenditures beyond our control such as health benefits and special-education costs, coupled with minimal state aid and budget caps resulted in budgeting difficulties. Needless to say the district has made many efforts at cost containment. Teachers have the opportunity to decline participation in the state health benefits program and receive a stipend for not taking benefits. The implementation of numerous share service arrangements with neighboring district are among our most important practices. At this time with one district we share a world language teacher, bus transportation, and our food service provider where our daily lunches are delivered to our building as a satellite. We also share the services of a Chief School Administrator, Business Administrator, Child Study Team, and Curriculum Coordinator. In addition, Hunterdon County Educational Services Commission as a shared service for technology.

Additional initiatives for Milford School include:

1. Participation in a partnership with Exxon Mobil where grants are written by the Milford teachers and Exxon provides funding for needed science equipment.
2. Use of iPads, Chrome Books, and Epson projectors in classrooms.
3. Emphasis on curriculum development in Science given the new Net Gen Science Standards must be implemented in the 2017-2018 school year.
4. Planning for project-based and problem-based instructional approaches which will also be implemented in the 2017-2018 school year.

In addition, our preschool program includes part-paid regular education students to increase our revenues, as well as, offer a service to the community. We have been a choice school for several years and receive revenue for students who attend from other districts. The program will continue in the 2017-2018 school year.

In conclusion, the Milford School District to commit itself to financial excellence which it has enjoyed for many years. The school district's system for financial planning, budgeting, and internal financial controls are well regarded as evidenced by the lack of any major audit recommendations. The school district plans to continue its sound financial practices in order to meet the demands and challenges that will be placed on small school districts in the future.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balances in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2017.

6) ACCOUNTING SYSTEM AND REPORTS:

The District’s accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in “Notes to the Financial Statements”, Note 1.

7) FINANCIAL INFORMATION AT FISCAL YEAR-END:

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management for the fiscal year ended June 30, 2017.

	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) from Prior Year</u>	<u>% of Increase (Decrease)</u>
REVENUES				
Local Sources				
Tax Levy				
General	\$ 1,855,788	78.75%	\$ 36,388	2.00%
Debt Service	45,375	1.93%	650	1.45%
Other Revenues	45,702	1.94%	(4,410)	-8.80%
State Aid	356,504	15.13%	12,204	3.54%
Federal Aid	53,290	2.26%	6,566	14.05%
Total	<u>\$ 2,356,659</u>	<u>100.00%</u>	<u>\$ 51,398</u>	2.23%
EXPENDITURES				
Current Expense	\$ 2,199,345	93.26%	\$ 123,158	5.93%
Capital Outlay	60,264	2.56%	36,223	150.67%
Special Projects	53,290	2.26%	6,566	14.05%
Debt Service				
Principal	30,000	1.27%	-	0.00%
Interest	15,375	0.65%	(1,537)	-9.09%
Total	<u>\$ 2,358,274</u>	<u>100.00%</u>	<u>\$ 164,410</u>	7.49%

Note: Excludes “on behalf” payments, lease purchase acquisitions and capital projects.

The funding formula from the State of New Jersey, Department of Education established the above maximum permitted net budget, dictated the amount of fund balance the district could maintain and reduced the amount of unrestricted state aid received. Within these constraints, the Milford

Elementary School District provided a thorough and efficient education in alignment with the emerging core curriculum standards.

8) DEBT ADMINISTRATION:

At June 30, 2017 the District had outstanding debt issues of \$285,000 at an interest rate of 5.125%.

9) CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit funds in public depositories protect from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted 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.

10) RISK MANAGEMENT:

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

11) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bedard, Kurowicki, and Co., CPA's, PC, was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet 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 the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to single audit are included in the single audit section of this report.

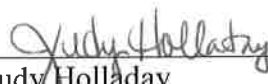
12) ACKNOWLEDGMENTS:

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

Respectfully submitted,

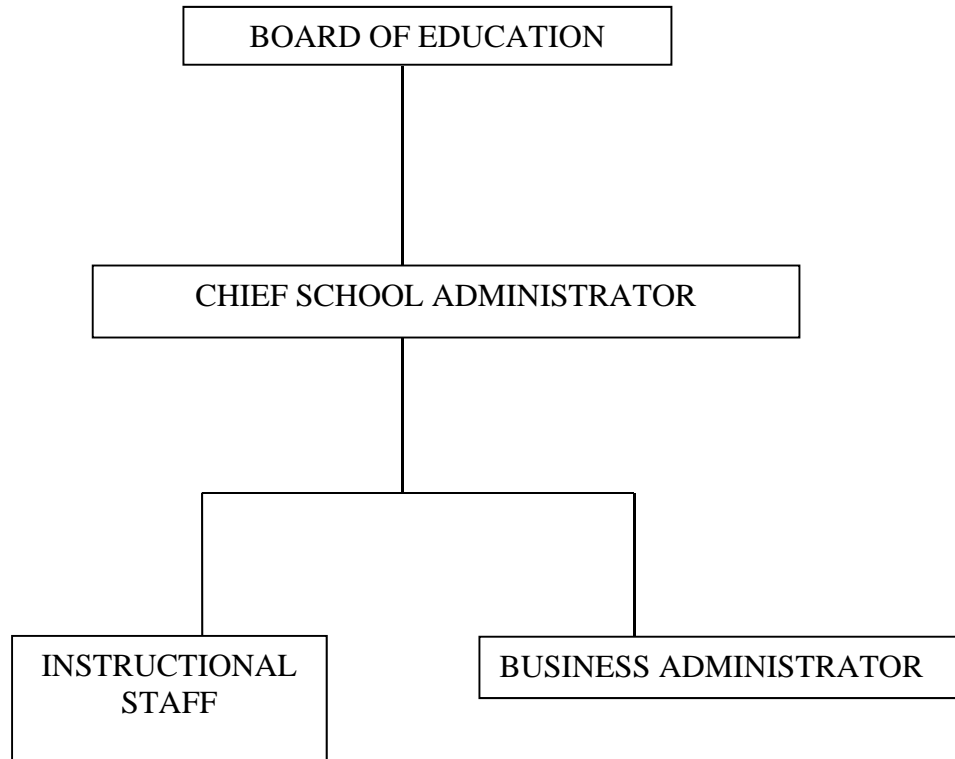


Edward Stoloski
Chief School Administrator



Judy Holladay
Business Administrator/Board Secretary

MILFORD BOROUGH BOARD OF EDUCATION
ORGANIZATIONAL CHART
(UNIT CONTROL)



MILFORD BOROUGH SCHOOL DISTRICT
Milford, New Jersey
Roster of Officials
June 30, 2017

Members of the Board of Education	Title	Term Expires
Teresa Kane	President	2017
Westley Hackman	Vice-President	2018
Terri Heller		2017
Angela Caban		2019
Elizabeth Johnson		2019

Other Officials

Edward Stoloski	Superintendent
Judy Holladay	Board Secretary/School Business Administrator
Todd Fay	Principal
Raymond B. Krov	School Treasurer
John Comengo	Attorney

MILFORD BOROUGH SCHOOL DISTRICT
Milford, New Jersey
Consultants & Advisors
June 30, 2017

AUDIT FIRM

Bedard, Kurowicki & Co., CPA's, PC
114 Broad Street
Flemington, NJ 08822

ARCHITECTS

SSP Architectural Group
1011 Route 22, Suite 203
Bridgewater, NJ 08807-2950

ATTORNEY

Comengo Law Group
521 Pleasant Valley Avenue
Moorestown, NJ 08057

OFFICIAL DEPOSITORY

PNC Bank
PO Box 746
Keene, NH 03431



Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Milford Borough School District
County of Hunterdon, 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 Milford Borough School District (the District) in the County of Hunterdon, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board'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 and 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 Milford Borough School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the 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 and Budgetary Comparison Schedules, Schedules of the District's Proportionate Share of Net Pension Liability, and Schedules of the District's Pension Contributions, as listed in the Table of Contents 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 introductory section, combining and individual fund financial statements, long-term debt schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.


In our opinion, the combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subject 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 November 14, 2017 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.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano
Certified Public Accountant
Registered Municipal Accountant

November 14, 2017
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

MILFORD BOARD OF EDUCATION

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017 Unaudited

The discussion and analysis of Milford School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position decreased \$42,671, which represents a 5.71% decrease from 2016.
- General revenues accounted for \$2,858,314 in revenue or 95.96% of all revenues. Program specific revenues in the form of operating grants and contributions and capital grants and contributions accounted for \$120,418 or 4.04% of total revenues of \$2,978,732.
- Total assets of governmental activities increased by \$44,826. As cash and cash equivalents increased by \$47,791, receivables and other assets decreased by \$46,118 and capital assets increased by \$43,153.
- The School District had \$3,021,403 in expenses; only \$120,418 of these expenses was offset by program specific charges, grants or contributions. General revenues (primarily property taxes) of \$2,858,314, were adequate to provide for these expenses.
- Among major funds, the General Fund had \$2,482,524 in revenues, \$2,484,139 in expenditures and \$4,078 in other financing sources. The General Fund's balance increased \$2,463 over 2016.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Milford School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Milford School District, the General Fund is by far the most significant fund.

MILFORD BOARD OF EDUCATION

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017 Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2016-2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School District have improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports governmental and business activities. Governmental activities are the activities where most of the School District's programs and services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities. Business activities are the services provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides.

MILFORD BOARD OF EDUCATION

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017 Unaudited

Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net position for 2017 compared to 2016.

**Table 1
Net Position**

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
ASSETS				
Current & Other Assets	\$ 550,697	\$ 547,798	\$ 2,899	0.53%
Capital Assets	1,111,768	1,068,666	43,102	4.03%
Total Assets	<u>1,662,465</u>	<u>1,616,464</u>	<u>46,001</u>	2.85%
Deferred Outflows of Resources	<u>396,064</u>	<u>246,881</u>	<u>149,183</u>	60.43%
LIABILITIES				
Long Term Liabilities	1,269,527	1,049,845	219,682	20.93%
Other Liabilities	<u>64,063</u>	<u>29,187</u>	<u>34,876</u>	119.49%
Total Liabilities	<u>1,333,590</u>	<u>1,079,032</u>	<u>254,558</u>	23.59%
Deferred Inflows of Resources	<u>20,592</u>	<u>37,295</u>	<u>(16,703)</u>	-44.79%
NET POSITION				
Net Investment in Capital Assets	826,768	753,666	73,102	9.70%
Restricted	273,102	291,147	(18,045)	-6.20%
Unrestricted	<u>(395,523)</u>	<u>(297,795)</u>	<u>(97,728)</u>	-32.82%
Total Net Position	<u>\$ 704,347</u>	<u>\$ 747,018</u>	<u>\$ (42,671)</u>	-5.71%

Total assets increased \$46,001. Cash and cash equivalents increased by \$49,776, receivables and other assets decreased by \$46,877 and capital assets increased by \$43,102. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District decreased by \$97,728.

The negative balance in unrestricted net assets is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial

MILFORD BOARD OF EDUCATION

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

Table 2 shows changes in net position for fiscal year 2017 compared to 2016.

**Table 2
Changes in Net Position**

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
REVENUES				
Program Revenues				
Charges for Services	\$ 58,105	\$ 59,721	\$ (1,616)	-2.71%
Operating Grants	62,313	56,281	6,032	10.72%
General Revenues:				
Property Taxes	1,901,163	1,864,125	37,038	1.99%
Unrestricted Grants	957,761	799,973	157,788	19.72%
Other	(610)	7,238	(7,848)	-108.43%
Total Revenues	<u>2,978,732</u>	<u>2,787,338</u>	<u>191,394</u>	<u>6.87%</u>
PROGRAM EXPENSES				
Instruction				
Regular	1,301,717	1,046,780	254,937	24.35%
Special	171,231	344,532	(173,301)	-50.30%
Other	47,624	74,096	(26,472)	-35.73%
Support Services				
Tuition	119,434	130,450	(11,016)	-8.44%
Student & Instructional Related Services	628,549	474,697	153,852	32.41%
General & Business Administration	138,204	123,848	14,356	11.59%
School Administration	81,600	71,273	10,327	14.49%
Maintenance	323,959	254,049	69,910	27.52%
Transportation	160,778	123,621	37,157	30.06%
Food Service	31,811	34,830	(3,019)	-8.67%
Interest on Long Term Debt	16,496	18,032	(1,536)	-8.52%
Total Expenses	<u>3,021,403</u>	<u>2,696,208</u>	<u>325,195</u>	<u>12.06%</u>
Increase (Decrease) in Net Position	<u>\$ (42,671)</u>	<u>\$ 91,130</u>	<u>\$ (133,801)</u>	<u>-146.82%</u>

Governmental Activities

Property taxes made up 63.82% of revenues for governmental activities for the Milford School District for fiscal year 2017.

Instruction comprises 50.33% of District expenses. Support service expenses and debt service make up 49.67% of the expenses.

MILFORD BOARD OF EDUCATION

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017 Unaudited

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3
Cost of Governmental Services**

	Total Cost of Services		Net Cost of Services	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Instruction	\$ 1,520,572	\$ 1,465,408	\$ 1,464,117	\$ 1,412,054
Support Services				
Tuition	119,434	130,450	89,688	101,521
Student & Instructional Related Services	628,549	474,697	622,145	472,904
General & Business Administration	138,204	123,848	138,204	123,848
School Administration	81,600	71,273	81,600	71,273
Plant Operations & Maintenance	323,959	254,049	320,309	248,680
Pupil Transportation	160,778	123,621	160,778	123,621
Food Services	31,811	34,830	7,648	8,273
Interest on Long Term Debt	16,496	18,032	16,496	18,032
	<u>\$ 3,021,403</u>	<u>\$ 2,696,208</u>	<u>\$ 2,900,985</u>	<u>\$ 2,580,206</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

General administration, school administration, and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities involve keeping the school grounds, buildings, and equipment in an effective working condition.

Pupil transportation includes activities involved with the conveyance of students to and from school activities, as provided by State law.

Extracurricular activities include expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District.

MILFORD BOARD OF EDUCATION

**Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

The dependence upon tax revenues is apparent. For all activities general revenue support is 95.96%. The community, as a whole, is the primary support for the Milford Public School District.

The Schools District’s Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,579,186 and expenditures of \$2,602,926. The net change in fund balance for the year was most significant in the Capital Projects, a decrease of \$36,203.

General Fund Budgeting Highlights

The School District’s budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2017, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue was \$27,072, over the original budgeted estimates of \$2,230,998. This difference was due primarily to additional tuition revenue and extraordinary special education aid.

Capital Assets

At the end of the fiscal year 2017, the School District had \$1,111,768 invested in land, building, furniture and equipment and vehicles. Table 4 shows fiscal year 2017 compared to 2016.

**Table 4
Capital Assets (Net of Depreciation)**

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
Land	\$ 26,248	\$ 26,248	\$ -	
Construction in Progress	45,369	222,797	(177,428)	-79.64%
Buildings & Improvements	1,012,177	797,105	215,072	26.98%
Vehicles & Equipment	27,974	22,516	5,458	24.24%
	<u>\$ 1,111,768</u>	<u>\$ 1,068,666</u>	<u>\$ 43,102</u>	4.03%

Overall capital assets increased \$43,102 from fiscal year 2016 to fiscal year 2017. Increases in capital assets (primarily buildings and improvements, machinery and equipment) were offset by depreciation expenses for the year.

MILFORD BOARD OF EDUCATION

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017 Unaudited

Debt Administration

At June 30, 2017, the School District had \$1,269,527 of outstanding long-term liabilities. This amount is detailed in Table 5 below.

Table 5
Long-Term Liabilities at Year End

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
2009 Bond Issue	\$ 285,000	\$ 315,000	\$ (30,000)	-9.52%
Compensated Absences	67,028	68,271	(1,243)	-1.82%
PERS Net Pension Liability	917,499	666,574	250,925	37.64%
	<u>\$ 1,269,527</u>	<u>\$ 1,049,845</u>	<u>\$ 219,682</u>	20.93%

For the Future

The Milford District is in fair financial condition presently. The School District is proud of its community support of the public school. A major concern is the increased reliance on local property taxes.

We continue to engage in a variety of shared services with other districts, the Borough, and the Hunterdon County Educational Services Commission.

Our preschool program includes parent-paid regular education students to increase our revenues, as well as offer a service to the community.

In conclusion, the Milford School District continues to commit itself to financial excellence. The school district's system for financial planning, budgeting, and internal financial controls are well regarded as evidenced by the lack of any audit recommendations. The School District plans to continue its sound financial practices in order to meet the demands and challenges that will be placed on small school districts in the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact: Judy Holladay, School Business Administrator, Milford School District, 7 Hillside Avenue, Milford, NJ 08848, (908) 995-4349.

DISTRICT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

MILFORD BOROUGH SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 239,460	\$ 6,920	\$ 246,380
Due from other funds	600	-	600
Receivables, net	29,812	315	30,127
Inventory	-	488	488
Restricted assets			
Capital reserve - cash	179,036	-	179,036
Emergency reserve - cash	19,066	-	19,066
Maintenance reserve - cash	75,000	-	75,000
Capital assets, net			
Land	26,248	-	26,248
Capital assets not being depreciated	45,369	-	45,369
Other capital assets, net of depreciation	1,036,359	3,792	1,040,151
Total assets	<u>1,650,950</u>	<u>11,515</u>	<u>1,662,465</u>
Deferred outflows of resources			
Deferred amount on pension activity	<u>396,064</u>	<u>-</u>	<u>396,064</u>
Liabilities			
Accounts payable	51,461	-	51,461
Accrued interest	6,695	-	6,695
Unearned revenue	5,419	488	5,907
Long-term liabilities			
Due within one year	30,000	-	30,000
Due beyond one year	1,239,527	-	1,239,527
Total liabilities	<u>1,333,102</u>	<u>488</u>	<u>1,333,590</u>
Deferred inflows of resources			
Deferred amount on pension liability	<u>20,592</u>	<u>-</u>	<u>20,592</u>
Net position			
Net investment in capital assets	822,976	3,792	826,768
Restricted for			
Capital reserve	179,036	-	179,036
Emergency reserve	19,066	-	19,066
Maintenance reserve	75,000	-	75,000
Unrestricted	<u>(402,758)</u>	<u>7,235</u>	<u>(395,523)</u>
Total net position	<u>\$ 693,320</u>	<u>\$ 11,027</u>	<u>\$ 704,347</u>

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 778,012	\$ 523,705	\$ 39,315	\$ 17,140	\$ -	\$ (1,245,262)	\$ -	\$ (1,245,262)
Special education	102,039	69,192	-	-	-	(171,231)	-	(171,231)
Other instruction	29,587	18,037	-	-	-	(47,624)	-	(47,624)
Support services								
Tuition	119,434	-	-	29,746	-	(89,688)	-	(89,688)
Students & instruction related services	419,731	208,818	-	6,404	-	(622,145)	-	(622,145)
General & business administration services	119,746	18,458	-	-	-	(138,204)	-	(138,204)
School administration services	47,237	34,363	-	-	-	(81,600)	-	(81,600)
Plant operations & maintenance	228,612	95,347	3,650	-	-	(320,309)	-	(320,309)
Pupil transportation	94,813	65,965	-	-	-	(160,778)	-	(160,778)
Interest on long-term debt	16,496	-	-	-	-	(16,496)	-	(16,496)
Total governmental activities	<u>1,955,707</u>	<u>1,033,885</u>	<u>42,965</u>	<u>53,290</u>	<u>-</u>	<u>(2,893,337)</u>	<u>-</u>	<u>(2,893,337)</u>
Business-type activities								
Food service	31,811	-	15,140	9,023	-	-	(7,648)	(7,648)
Total business-type activities	<u>31,811</u>	<u>-</u>	<u>15,140</u>	<u>9,023</u>	<u>-</u>	<u>-</u>	<u>(7,648)</u>	<u>(7,648)</u>
Total primary government	<u>\$ 1,987,518</u>	<u>\$ 1,033,885</u>	<u>\$ 58,105</u>	<u>\$ 62,313</u>	<u>\$ -</u>	<u>(2,893,337)</u>	<u>(7,648)</u>	<u>(2,900,985)</u>
General revenues, special items & transfers								
Property taxes levied for general purposes						1,855,788	-	1,855,788
Property taxes levied for debt service						45,375	-	45,375
Federal & State aid not restricted						957,761	-	957,761
Capital grants deobligated						(2,003)	-	(2,003)
Miscellaneous income						2,737	-	2,737
Special Item - Gain/(Loss) on disposal of assets						-	(1,344)	(1,344)
Transfers						(10,000)	10,000	-
Total general revenues, special items & transfers						<u>2,849,658</u>	<u>8,656</u>	<u>2,858,314</u>
Change in net position						(43,679)	1,008	(42,671)
Net position - beginning						736,999	10,019	747,018
Net position - ending						<u>\$ 693,320</u>	<u>\$ 11,027</u>	<u>\$ 704,347</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

The individual fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

MILFORD BOROUGH SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 239,460	\$ -	\$ -	\$ -	\$ 239,460
Due from other funds	2,316	-	-	-	2,316
Receivables from other governments					
State	25,301	-	-	-	25,301
Federal	-	4,270	-	-	4,270
Other accounts receivable	241	-	-	-	241
Restricted cash & cash equivalents	273,102	-	-	-	273,102
Total assets	\$ 540,420	\$ 4,270	\$ -	\$ -	\$ 544,690
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ -	\$ 1,716	\$ -	\$ -	\$ 1,716
Accounts payable	49,871	1,590	-	-	51,461
Unearned revenue	4,455	964	-	-	5,419
Total liabilities	54,326	4,270	-	-	58,596

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2017

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital reserve	\$ 179,036	\$ -	\$ -	\$ -	\$ 179,036
Emergency reserve	19,066	-	-	-	19,066
Maintenance reserve	75,000	-	-	-	75,000
Committed fund balance					
Encumbrances	917	-	-	-	917
Unassigned fund balance	212,075	-	-	-	212,075
Total fund balances	486,094	-	-	-	486,094
 Total liabilities and fund balances	 \$ 540,420	 \$ 4,270	 \$ -	 \$ -	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$1,663,451 and the accumulated depreciation is \$555,475.	1,107,976
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	375,472
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,269,527)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(6,695)
Total net position of governmental activities	\$ 693,320

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 1,855,788	\$ -	\$ -	\$ 45,375	\$ 1,901,163
Other local governmental units	3,650	-	-	-	3,650
Tuition charges					
Individuals	39,315	-	-	-	39,315
Miscellaneous	2,737	-	-	-	2,737
	<u>1,901,490</u>	<u>-</u>	<u>-</u>	<u>45,375</u>	<u>1,946,865</u>
State sources	581,034	-	(2,003)	-	579,031
Federal sources	-	53,290	-	-	53,290
Total revenues	<u>2,482,524</u>	<u>53,290</u>	<u>(2,003)</u>	<u>45,375</u>	<u>2,579,186</u>
Expenditures					
Current					
Instructional					
Regular instruction	760,872	17,140	-	-	778,012
Special education instruction	102,039	-	-	-	102,039
Other instruction	29,587	-	-	-	29,587
Support service & undistributed costs					
Tuition	89,688	29,746	-	-	119,434
Student & instruction related services	413,327	6,404	-	-	419,731
General & business administrative services	119,746	-	-	-	119,746
School administrative services	47,237	-	-	-	47,237
Plant operations & maintenance	228,612	-	-	-	228,612
Pupil transportation	94,813	-	-	-	94,813
Unallocated benefits	537,954	-	-	-	537,954

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
For the Fiscal Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 58,439	\$ -	\$ 20,122	\$ -	\$ 78,561
Debt service					
Principal	-	-	-	30,000	30,000
Interest & other charges	1,825	-	-	15,375	17,200
Total expenditures	<u>2,484,139</u>	<u>53,290</u>	<u>20,122</u>	<u>45,375</u>	<u>2,602,926</u>
Excess (deficit) of revenues over (under) expenditures	<u>(1,615)</u>	<u>-</u>	<u>(22,125)</u>	<u>-</u>	<u>(23,740)</u>
Other financing sources (uses)					
Transfers in	26,040	-	11,962	-	38,002
Transfers out	(21,962)	-	(26,040)	-	(48,002)
Total other financing sources (uses)	<u>4,078</u>	<u>-</u>	<u>(14,078)</u>	<u>-</u>	<u>(10,000)</u>
Net change in fund balance	2,463	-	(36,203)	-	(33,740)
Fund balances, July 1	<u>483,631</u>	<u>-</u>	<u>36,203</u>	<u>-</u>	<u>519,834</u>
Fund balances, June 30	<u>\$ 486,094</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 486,094</u>

See accompanying notes to financial statements.

MILFORD BOROUGH 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, 2017

Total net changes in fund balances - governmental fund (from B-2)	\$	(33,740)
<p>Amounts reported for governmental activities in the Statement of Activities (A-2) are different because</p> <p>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 expenses. This is the amount by which capital outlays exceeds depreciation in the period:</p>		
Capital outlays	\$ 78,561	
Depreciation expense	<u>(35,408)</u>	43,153
<p>Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and are not reported in the Statement of Activities:</p>		
Debt principal payments		30,000
<p>Governmental funds report District pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
		(85,039)
<p>In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.</p>		
		704
<p>In the Statement of Activities, compensated absences & early retirement benefits 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.</p>		
		<u>1,243</u>
Change in net position of governmental activities	\$	<u><u>(43,679)</u></u>

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2017

	<u>Food Service Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 6,920
Receivables from other governments	
State	13
Federal	302
Inventory	488
Total current assets	<u>7,723</u>
Noncurrent assets	
Capital assets	22,397
Less: accumulated depreciation	<u>18,605</u>
Total noncurrent assets	<u>3,792</u>
 Total assets	 <u>11,515</u>
 Liabilities	
Current liabilities	
Unearned revenues - commodities	<u>488</u>
Total liabilities	<u>488</u>
 Net position	
Net investment in capital assets	3,792
Unrestricted	<u>7,235</u>
 Total net position	 <u>\$ 11,027</u>

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	Food Service Fund
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 12,744
Daily sales - non-reimbursable programs	2,396
Total operating revenues	15,140
Operating expenses	
Cost of sales - reimbursable programs	10,012
Cost of sales - non-reimbursable programs	10,732
Commodity food costs	1,726
Salaries	3,959
Support services - employee benefits	563
Purchased professional/technical services	377
Purchased property services	954
Other purchased services	
Insurance	738
Management fee	2,000
Depreciation	670
Miscellaneous expenditures	80
Total operating expenses	31,811
Operating income (loss)	(16,671)
Non-operating revenues (expenses)	
State sources	
State School Lunch Program	277
Federal sources	
National School Lunch Program	
Cash assistance	7,020
Non-cash assistance (commodities)	1,726
Other sources (uses)	
Operating transfer in	10,000
Loss on disposal of assets	(1,344)
Total non-operating revenues (expenses)	17,679
Change in net position	1,008
Net position, beginning	10,019
Net position, ending	\$ 11,027

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	<u>Food Service Fund</u>
Cash flows from operating activities	
Receipts from customers (net)	\$ 15,140
Payments to Food Service Management Co.	(10,028)
Payments to vendors (net)	(19,387)
Net cash provided by (used for) operating activities	<u>(14,275)</u>
Cash flows from non-capital financing activities	
State sources	277
Federal sources	7,020
Operating transfer in	10,927
Net cash provided by (used for) non-capital financing activities	<u>18,224</u>
Cash flows from capital financing activities	
Acquisition of equipment	(1,964)
Net cash provided by (used for) capital financing activities	<u>(1,964)</u>
Net increase (decrease) in cash and cash equivalents	1,985
Cash and cash equivalents, beginning	<u>4,935</u>
Cash and cash equivalents, ending	<u><u>\$ 6,920</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (16,671)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	670
Federal Food Donation Program	1,726
(Increase) decrease in inventory	(167)
Increase (decrease) in deferred revenue	167
	<u>167</u>
Net cash provided by (used for) operating activities	<u><u>\$ (14,275)</u></u>

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2017

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
Assets			
Cash and cash equivalents	\$ 34,390	\$ 7,915	\$ 20,567
Total assets	\$ 34,390	\$ 7,915	\$ 20,567
Liabilities			
Due to other funds	\$ -	\$ -	\$ 600
Due to student groups	-	7,915	-
Payroll deductions and withholdings	-	-	19,967
Total liabilities	-	\$ 7,915	\$ 20,567
Net position			
Held in trust for unemployment claims & other purposes	\$ 34,390		

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee contributions	\$ 2,133
Investment earnings - interest	<u>18</u>
Total additions	2,151
Deductions	
Unemployment claims	<u>6,450</u>
Change in net position	(4,299)
Net position, beginning of the year	<u>38,689</u>
Net position, end of the year	<u><u>\$ 34,390</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

The financial statements of the Board of Education (Board) of the Milford Borough School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

The basic financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the Districts over-all financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. as a Type II District, the School District functions independently through a Board of Education. The Board is comprised of five members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2017 of 81 students.

The primary criterion for including activities within the District's reporting entity as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is whether:

1. The organization is legally separate (can sue or be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's Board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/ burden on the District.
6. There is a fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the District has no component units.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its Governmental Funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted State Aids.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations.

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment, which are classified in the Capital Outlay sub-fund.

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state 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 revenues.

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.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Special Revenue Fund - The District accounts for the proceeds of specific revenue sources from State and Federal Government (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes in the Special Revenue Fund.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (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.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Additionally, the District reports the following fund types:

Proprietary fund types

Proprietary Fund - The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Fund - The Enterprise Fund is 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; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund.

All Proprietary Funds are accounted for on a current financial resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Depreciation of all exhaustive fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light trucks & vehicles	4 Years
Heavy trucks & vehicles	6 Years
Busses	8 Years

Fiduciary Fund Types

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the Trust and Agency Funds of the District.

Unemployment Compensation Trust Fund - This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the “Benefit Reimbursement Method.”

Student Activities Agency Fund - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

Payroll Agency Fund - This fund accounts for the withholding and remittance of employee salary deductions.

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 budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. 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. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2017 were insignificant.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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 legally mandated revenue recognition of the last State Aid payment for budgetary purposes only and 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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

E. 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 reservations of 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 revenues 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.

F. Tuition receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

G. Tuition payable

Tuition charges for the fiscal years 2016-2017 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable and payables

Short-term interfund receivables and 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.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

Inventories and prepaid items, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as expenditures during the year of purchase.

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	50
Building improvements & portable classroom	50
Land improvements	20
Furniture	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10
Vehicles	5 - 10

K. Compensated absences

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board statement number 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.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the Districts' agreements with the various employee unions.

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

Unearned revenue in the General Fund and Special Revenue Fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the Special Revenue Fund.

Unearned revenue in the Enterprise Fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the Food Service Fund. Prepaid lunch debit card revenue balances at year-end are also included in unearned revenue.

M. Long-term obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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 issuance are reported as other financing uses.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Net position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

- Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by credits, grantors, or laws or regulations of their governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

O. Fund balances - governmental funds

In the fund financial statements, Governmental Funds report the following classifications of fund balance:

- Non-spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

When expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

P. Comparative data/reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Q. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF Pension Contributions, reimbursed TPAF Social Security Contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

R. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has one item that qualifies for reporting in this category, deferred amount on pension activity. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amount on pension activity.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts, and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the School District in accordance with the schedule of tax installments as certified by the School District's Board of Education on an annual basis.

Note 3 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, cash in banks. As of June 30, 2017, the District had no investments.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits, cash equivalents, and investments (continued)

New Jersey School Districts are limited as to the types 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.

N.J.S.A. 17:9-41 e.t. 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 public 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 saving banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require that cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the District relative to the happening of a future condition.

As of June 30, 2017, the District's bank balances were exposed to custodial credit risk as follows:

Insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 250,000
Collateralized with securities held by pledging financial institutions	402,968
Total bank balances	<u>\$ 652,968</u>

Deposits at June 30, 2017 appear in the financial statements as summarized below:

Cash		<u>\$ 582,354</u>
	<u>Ref.</u>	
Unrestricted cash		
Governmental Funds, Balance Sheet	B-1	\$ 239,460
Enterprise Funds, Statement of Net Position	B-4	6,920
Fiduciary Funds, Statement of Net Position	B-7	62,872
Restricted cash		
Governmental Funds, Balance Sheet	B-1	273,102
Total cash		<u>\$ 582,354</u>

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 26,248	\$ -	\$ -	\$ 26,248
Construction in progress	222,797	67,042	244,470	45,369
Total	<u>249,045</u>	<u>67,042</u>	<u>244,470</u>	<u>71,617</u>
Capital assets, being depreciated				
Land improvements	74,250	-	-	74,250
Building & improvements	1,162,112	244,470	-	1,406,582
Vehicles & equipment	99,483	11,519	-	111,002
Total	<u>1,335,845</u>	<u>255,989</u>	<u>-</u>	<u>1,591,834</u>
Accumulated depreciation				
Land improvements	74,250	-	-	74,250
Building & improvements	365,007	29,398	-	394,405
Vehicles & equipment	80,810	6,010	-	86,820
Total	<u>520,067</u>	<u>35,408</u>	<u>-</u>	<u>555,475</u>
Total capital assets, being depreciated, net	<u>815,778</u>	<u>220,581</u>	<u>244,470</u>	<u>1,036,359</u>
Governmental activities capital assets, net	<u>\$ 1,064,823</u>	<u>\$ 287,623</u>	<u>\$ 244,470</u>	<u>\$ 1,107,976</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities				
Furniture & equipment	\$ 22,915	\$ 1,964	\$ 2,482	\$ 22,397
Less: accumulated depreciation	19,072	670	1,137	18,605
Business type activities capital assets, net	<u>\$ 3,843</u>	<u>\$ 1,294</u>	<u>\$ 1,345</u>	<u>\$ 3,792</u>

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

Depreciation expense was charged to governmental functions in the current year as follows:

Instruction	
Regular	\$ 15,810
Special education	2,074
Other special instruction	-
Other instruction	601
Support services	
Student & instruction	8,530
General & business administration	2,433
School administration	960
Transportation	5,000
Total depreciation expense, governmental activities	\$ 35,408

Note 5 - Long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 315,000	\$ -	\$ 30,000	\$ 285,000	\$ 30,000
Compensated absences payable	68,271	-	1,243	67,028	-
PERS net pension liability	666,574	250,925	-	917,499	-
Total governmental activities long-term liabilities	\$ 1,049,845	\$ 250,925	\$ 31,243	\$ 1,269,527	\$ 30,000

Payments on the general obligation bonds are made in the Debt Service Fund from property taxes and State Aid. The other long-term debts are paid in the current expenditures budget of the District's General Fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2017, including interest payments are listed as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 30,000	\$ 13,838	\$ 43,838
2019	30,000	12,300	42,300
2020	35,000	10,634	45,634
2021	35,000	8,841	43,841
2022	35,000	7,047	42,047
2023 - 2025	120,000	9,225	129,225
Total	\$ 285,000	\$ 61,885	\$ 346,885

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

General Obligation Bonds - General obligation school building bonds payable at June 30, 2017, with their outstanding balances are comprised of the following individual issues:

\$480,000 - 2009 general obligation school building bonds, due in annual installments of \$25,000 to \$40,000, beginning July 15, 2010, through July 15, 2024, interest at 4.00% to 5.125%.	<u>\$ 285,000</u>
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The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2017 is \$3,432,530. General obligation debt at June 30, 2017 is \$285,000, resulting in a legal debt margin of \$3,147,530.

Note 6 - Pension plans

Description of systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees Retirement System and Defined Contribution Retirement Program are considered cost sharing multiple-employer plans.

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 PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Plan description (continued)

The following represents the membership tiers for PERS:

Tier	Definition
1	Members enrolled prior to July 2007
2	Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members 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 Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, 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.

Allocation methodology and reconciliation to financial statements

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2016 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2016.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Plan description (continued)

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended June 30, 2016. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal years 2016, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 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.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1st until eventually reaching 7.50% of base salary effective July 1, 2018.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2016:

	2016
Total pension liability	\$ 1,532,660
Plan fiduciary net position	615,161
Net pension liability	\$ 917,499

Plan fiduciary net position as a percentage of the total pension liability 40.14%

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

Inflation rate	3.08%
Salary increases (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set-back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set-back 3 years for males and set forward 1 year for females).

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 method 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's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grad Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Discount rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 on the average of the last five years of contributions made in relation to the last five years of recommended 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2043, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District's Proportionate Share of the Net Pension Liability</u>	2016
At current discount rate (3.98%)	\$ 917,499
At a 1% lower rate (2.98%)	1,124,288
At a 1% higher rate (4.98%)	746,777

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,063	\$ -
Changes of assumptions	190,057	-
Net difference between projected and actual earnings on pension plan investments	34,985	-
Changes in proportion and differences between District contributions and proportionate share of contributions	126,438	20,592
District contributions subsequent to the measurement date	27,521	-
Total	\$ 396,064	\$ 20,592

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e., for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) of \$27,521 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Changes of assumptions and differences between expected and actual experience	\$ 91,272	\$ 165,009	\$ 49,161	\$ 207,120
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan investments	(11,181)	51,513	5,347	34,985
Net of deferred outflows	\$ 80,091	\$ 216,522	\$ 54,508	\$ 242,105

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2017	\$ 54,508
2018	54,507
2019	63,149
2020	53,055
2021	16,886
Total	\$ 242,105

Pension expense

For the year ended June 30, 2017, the District recognized net pension expense of \$112,560, which represents the District's proportionate share of allocable plan pension expense of \$87,596, plus the net amortization of deferred amounts from changes in proportion of \$26,956, and less other adjustments to the net pension liability of \$1,992. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2016 are as follows:

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 -

Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Pension expense (continued)

Service cost	\$	29,943
Interest on total pension liability		65,377
Member contributions		(15,520)
Administrative expense		495
Expected investment return net of investment expense		(47,110)
Pension expense related to specific liabilities of individual employers		(98)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		44,774
Amortization of expected versus actual experience		4,388
Amortization of projected versus actual investment earnings on pension plan investments		5,347
Pension expense	\$	87,596

B. Teacher's 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. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Plan description (continued)

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 Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, 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.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

Special funding situation

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 non-employer 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. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ending June 30, 2016, the State of New Jersey contributed \$50,760 to the TPAF for normal pension benefits on behalf of the District.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1st until eventually reaching 7.50% of base salary effective July 1, 2018.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Special funding situation (continued)

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal year ending June 30, 2016 is as follows:

	2016
State's proportionate share of net pension liability	\$ 5,013,924
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	376,727
Non-employer contribution	50,760
 Allocable proportionate percentage	 0.0063736562%

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the District for the year ending June 30, 2016 are as follows:

Service cost	\$ 148,734
Interest on total pension liability	234,416
Member contributions	(48,326)
Administrative expense	873
Expected investment return net of investment expense	(120,010)
Pension expense related to specific liabilities of individual employers	(15)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	1,577
Amortization of expected versus actual experience	147,475
Amortization of projected versus actual investment earnings on pension plan investments	12,003
Pension expense	\$ 376,727

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Collective net pension liability and actuarial information

Components of net pension liability

As detailed earlier, the District was not required to report a liability for its proportionate share of net pension expense for TPAF due to a special funding situation. The State's proportionate share of the net pension liability for TPAF as of June 30, 2016 is as follows:

	2016
Total pension liability	\$ 6,455,240
Plan fiduciary net position	1,441,316
Net pension liability	\$ 5,013,924

Plan fiduciary net position as a percentage of the total pension liability 22.33%

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

Inflation rate	2.50%
Salary increases (based on age)	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Pre-retirement, post retirement, and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis on a 60-year average of Social Security data from 1953 to 2013.

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

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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 method 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 TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Long-term expected rate of return (continued)

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign Developed Equity	13.25%	5.91%
Emerging Market Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	.50%	2.87%
Hedge Funds - Multi-Strategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, 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 on the rate in the most recent state fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2016</u>
At current discount rate (3.22%)	\$ 5,013,924
At a 1% lower rate (2.22%)	5,987,745
At a 1% higher rate (4.22%)	4,218,673

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2017) but who earn salary of at least \$5,000 annually are eligible to participate. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcrp.

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's contribution to the DCRP for fiscal year ending 2017 was \$755.

D. Other pension plan information

During the year ended June 30, 2017, the State of New Jersey contributed \$72,832 to the TPAF for post-retirement medical benefits, \$3,056 for non-contributory insurance premiums, \$301 for long-term disability insurance, and \$84,354 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$63,987 during the year ended June 30, 2017 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Ch. 6 of PL 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. PL 2007, Ch. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside 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, 2016, there were 110,512 retirees eligible for post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Ch. 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994.

The State is also responsible for the cost attributable to Ch. 126, PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. In fiscal year 2016, the State paid \$231.2 million toward Ch. 126 benefits for 20,045 eligible retired members.

GASB Statement 45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

Plan Description - The School District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code, SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The School District adopted a resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 by visiting their website at (www.nj.gov/treasury/pensions).

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

Note 8 - 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). 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:

Equitable

Note 9 - Interfund receivable and payables

As of June 30, 2017, the Payroll Agency Fund has an interfund payable for \$600 due to the General Fund which represents a loan for cash flow purposes. The Special Revenue Fund had an interfund payable for \$1,716 due to the General Fund for a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

Note 10 - Inventory

Inventory in the Food Service Fund as of June 30, 2017 consisted of the following:

Food	\$	488
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Note 11 - Contingent liabilities

The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

Amounts received or are receivables from grantor agencies could be subject to audit and adjusted by grantor agencies. Any disallowed claims, including amounts already collected, may result in a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 12 - 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.

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete schedule of insurance coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report

New Jersey Unemployment Compensation Insurance - The District has elected to fund its NJ Unemployment Compensation Insurance under the “Benefit Reimbursement Method.” Under this plan, the District is required to reimburse the NJ 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, and interest earnings, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s unemployment trust fund for the current and previous two years:

Fiscal Year	Board Contrib.	Interest Earnings	Employee Contrib.	Amount Reimbursed	Ending Balance
2016 - 2017	\$ -	\$ 18	\$ 2,133	\$ 6,450	\$ 34,390
2015 - 2016	-	20	2,114	3,048	38,689
2014 - 2015	5,000	14	2,103	1,423	39,603

Note 13 - Legal reserve accounts

A Capital Reserve Account was established by the District 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 Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the 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. 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. 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - Legal reserve accounts (continued)

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$50,000 to their Capital Reserve Account by Board resolution in June 2017 as summarized in the following schedule. The following schedule is a summarization of the Legal Reserve Accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 160,878	\$ 50,000	\$ -	\$ 15,078	\$ 46,920	\$ 179,036
Emergency	19,066	-	-	-	-	19,066
Maintenance	75,000	-	-	-	-	75,000
Total	<u>\$ 254,944</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 15,078</u>	<u>\$ 46,920</u>	<u>\$ 273,102</u>

Note 14 - Fund balances - Budgetary basis

As described in Note 1 (N), Fund Balance may be restricted, committed or assigned. An analysis of the General Fund Balance on June 30, 2017 is as follows:

	2017
Restricted	
Capital Reserve Account - Represents funds restricted to capital projects in the Districts long range facilities plan.	\$ 179,036
Emergency Reserve Account - Represents funds accumulated to finance unanticipated General Fund expenditures required for a thorough and efficient education.	19,066
Maintenance Reserve Account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	75,000
Committed	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30	917
Unassigned	
Undesignated - Represents fund balance which has not been restricted or designated.	245,352
Total fund balance	\$ 519,371

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved 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 reserve General 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 years' budget. The excess fund balance at June 30, 2017 is \$0.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 16 - Subsequent events

The District has evaluated subsequent events through November 14, 2017, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Note 17 - Recent accounting pronouncements not yet effective

The following is a list of recent accounting pronouncements which are not yet effective as of the year end date of this report and which are expected to have a material impact on the District's financial reporting:

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This statement, which is effective for reporting periods beginning after June 15, 2017, is expected to have a material impact on the District's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "*Leases*". This statement, which is effective for reporting periods beginning after June 15, 2019, is expected to have a material impact on the District's financial reporting.

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2017 of (\$402,758) on Schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 1,855,788	\$ -	\$ 1,855,788	\$ 1,855,788	\$ -
Other local governmental units - unrestricted	3,160	-	3,160	3,650	490
Tuition from individuals	37,000	-	37,000	39,315	2,315
Unrestricted miscellaneous revenues	500	-	500	2,737	2,237
Total	1,896,448	-	1,896,448	1,901,490	5,042
State sources					
School Choice Aid	66,906	-	66,906	66,906	-
Categorical Transportation Aid	2,238	-	2,238	2,238	-
Extraordinary Aid	-	-	-	21,508	21,508
Categorical Special Education Aid	58,167	-	58,167	58,167	-
Equalization Aid	202,744	-	202,744	202,744	-
Categorical Security Aid	1,915	-	1,915	1,915	-
PARCC Readiness Aid	910	-	910	910	-
Per Pupil Growth Aid	910	-	910	910	-
Professional Learning Community Aid	760	-	760	760	-
Other State Aid	-	-	-	522	522
TPAF Pension (on-behalf)	-	-	-	87,410	87,410
TPAF Social Security (reimbursed)	-	-	-	63,987	63,987
TPAF Post Retirement Benefits	-	-	-	72,832	72,832
TPAF Long-Term Disability Insurance	-	-	-	301	301
Total	334,550	-	334,550	581,110	246,560
Total revenues	\$ 2,230,998	\$ -	\$ 2,230,998	\$ 2,482,600	\$ 251,602
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ -	\$ 75,269	\$ 75,269	\$ 75,269	\$ -
Kindergarten	91,612	(994)	90,618	90,617	1
Grades 1-5	252,422	(2,075)	250,347	250,213	134
Grades 6-8	220,165	8,233	228,398	228,391	7
Regular programs - undistributed instruction					
Other salaries for instruction	9,219	(3,962)	5,257	4,600	657
Purchased professional - educational services	40,000	(100)	39,900	39,500	400
Other purchased services	38,876	(8,700)	30,176	26,237	3,939
General supplies	37,290	7,950	45,240	45,230	10
Other objects	3,500	-	3,500	815	2,685
Total	693,084	75,621	768,705	760,872	7,833
Special education					
Resource room/resource center					
Salaries of teachers	101,864	2,362	104,226	101,920	2,306
Other salaries for instruction	25,713	(25,713)	-	-	-
General supplies	2,000	(1,000)	1,000	119	881
Total	129,577	(24,351)	105,226	102,039	3,187

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Preschool disabilities - part-time					
Salaries of teachers	\$ 53,867	\$ (53,867)	\$ -	\$ -	\$ -
Other salaries for instruction	21,977	(21,977)	-	-	-
Other purchased services	325	(325)	-	-	-
General supplies	475	(475)	-	-	-
Total	<u>76,644</u>	<u>(76,644)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total special education	<u>206,221</u>	<u>(100,995)</u>	<u>105,226</u>	<u>102,039</u>	<u>3,187</u>
Basic skills/remedial					
Salaries of teachers	1,000	(1,000)	-	-	-
General supplies	250	-	250	-	250
Total	<u>1,250</u>	<u>(1,000)</u>	<u>250</u>	<u>-</u>	<u>250</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	10,880	-	10,880	10,860	20
Supplies and materials	1,500	-	1,500	-	1,500
Total	<u>12,380</u>	<u>-</u>	<u>12,380</u>	<u>10,860</u>	<u>1,520</u>
School-sponsored athletics - instruction					
Salaries	12,650	-	12,650	11,297	1,353
Purchased services	4,590	-	4,590	4,430	160
Supplies and materials	3,000	-	3,000	3,000	-
Total	<u>20,240</u>	<u>-</u>	<u>20,240</u>	<u>18,727</u>	<u>1,513</u>
Total instruction regular	<u>\$ 933,175</u>	<u>\$ (26,374)</u>	<u>\$ 906,801</u>	<u>\$ 892,498</u>	<u>\$ 14,303</u>
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - regular	\$ -	\$ 90,730	\$ 90,730	\$ 89,688	\$ 1,042
Tuition to other LEAs within the state - special	97,550	(97,550)	-	-	-
Tuition to priv. school for the disabled w/i state	3,600	(3,100)	500	-	500
Total	<u>101,150</u>	<u>(9,920)</u>	<u>91,230</u>	<u>89,688</u>	<u>1,542</u>
Undistributed expenditures - health services					
Salaries	75,917	-	75,917	75,167	750
Purchased professional and technical services	2,350	-	2,350	1,743	607
Other purchased services	175	-	175	-	175
Supplies and materials	4,000	(2,000)	2,000	940	1,060
Total	<u>82,442</u>	<u>(2,000)</u>	<u>80,442</u>	<u>77,850</u>	<u>2,592</u>
Undistributed expenditures - speech, ot, pt & related services					
Purchased professional - educational services	74,000	(2,025)	71,975	57,997	13,978
Supplies and materials	1,000	-	1,000	-	1,000
Total	<u>75,000</u>	<u>(2,025)</u>	<u>72,975</u>	<u>57,997</u>	<u>14,978</u>
Undistributed expend - other supp. service stds. - extra service					
Salaries	-	17,977	17,977	17,142	835
Purchased professional - educational services	34,500	(425)	34,075	34,055	20
Supplies and materials	450	-	450	-	450
Total	<u>34,950</u>	<u>17,552</u>	<u>52,502</u>	<u>51,197</u>	<u>1,305</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures- guidance					
Salaries of other professional staff	\$ 15,066	\$ 16,300	\$ 31,366	\$ 30,737	\$ 629
Other purchased professional & technical services	12,500	(12,500)	-	-	-
Total	<u>27,566</u>	<u>3,800</u>	<u>31,366</u>	<u>30,737</u>	<u>629</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	15,066	(3,800)	11,266	10,066	1,200
Salaries of secretarial and clerical assistants	46,169	300	46,469	46,463	6
Purchased professional - educational services	99,516	-	99,516	96,790	2,726
Other purchased professional & technical services	1,000	-	1,000	120	880
Other purchased services	750	-	750	-	750
Miscellaneous purchased service	2,500	320	2,820	2,818	2
Supplies and materials	1,000	(620)	380	-	380
Total	<u>166,001</u>	<u>(3,800)</u>	<u>162,201</u>	<u>156,257</u>	<u>5,944</u>
Undistributed expenditures - edu. media service/sch. library					
Salaries of technology coordinators	30,133	-	30,133	29,797	336
Other purchased services	8,220	-	8,220	7,016	1,204
Supplies and materials	2,100	-	2,100	500	1,600
Total	<u>40,453</u>	<u>-</u>	<u>40,453</u>	<u>37,313</u>	<u>3,140</u>
Undistributed expenditures - instructional staff training services					
Purchased professional - educational services	960	-	960	220	740
Other purchased services	1,500	325	1,825	1,756	69
Supplies and materials	100	-	100	-	100
Total	<u>2,560</u>	<u>325</u>	<u>2,885</u>	<u>1,976</u>	<u>909</u>
Undistributed expend. - support service - general admin.					
Salaries	7,782	(3,931)	3,851	3,850	1
Legal services	5,300	10,415	15,715	15,715	-
Audit fees	11,075	(375)	10,700	10,700	-
Other purchased professional services	32,536	(40)	32,496	32,490	6
Misc purch services	5,280	650	5,930	5,928	2
General supplies	100	(100)	-	-	-
Miscellaneous expenditures	345	(295)	50	50	-
BOE membership dues and fees	1,875	(50)	1,825	1,825	-
Total	<u>64,293</u>	<u>6,274</u>	<u>70,567</u>	<u>70,558</u>	<u>9</u>
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	40,177	(447)	39,730	39,397	333
Salaries of secretarial and clerical assistants	6,398	650	7,048	7,042	6
Other purchased services	800	(200)	600	598	2
Supplies and materials	300	(100)	200	200	-
Total	<u>47,675</u>	<u>(97)</u>	<u>47,578</u>	<u>47,237</u>	<u>341</u>
Undistributed expenditures - central services					
Salaries	8,198	667	8,865	8,842	23
Purchased professional services	37,500	(679)	36,821	36,821	-
Purchased technical services	3,600	(46)	3,554	3,525	29
Supplies and materials	200	(200)	-	-	-
Total	<u>49,498</u>	<u>(258)</u>	<u>49,240</u>	<u>49,188</u>	<u>52</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expend. - required maint. for school facilities					
Salaries	\$ 6,398	\$ (639)	\$ 5,759	\$ 5,758	\$ 1
Cleaning, repair, and maintenance services	70,998	(6,346)	64,652	64,626	26
Total	<u>77,396</u>	<u>(6,985)</u>	<u>70,411</u>	<u>70,384</u>	<u>27</u>
Undistributed expenditures - custodial services					
Salaries	51,733	7,998	59,731	59,708	23
Purchased professional and technical services	4,000	(1,520)	2,480	1,509	971
Cleaning, repair, and maintenance service	2,000	(500)	1,500	1,483	17
Other purchased property services	4,600	(1,050)	3,550	3,217	333
Insurance	19,350	(3,800)	15,550	15,514	36
Miscellaneous purchased services	500	1,075	1,575	1,328	247
General supplies	12,000	(5,650)	6,350	6,297	53
Energy (electricity)	20,000	(5,000)	15,000	13,689	1,311
Energy (oil)	25,000	(16,300)	8,700	8,641	59
Total	<u>139,183</u>	<u>(24,747)</u>	<u>114,436</u>	<u>111,386</u>	<u>3,050</u>
Undistributed expenditures - care and upkeep of grounds					
Salaries	10,513	-	10,513	10,513	-
Cleaning, repair, and maintenance service	4,675	24,950	29,625	29,625	-
General supplies	2,000	(175)	1,825	-	1,825
Total	<u>17,188</u>	<u>24,775</u>	<u>41,963</u>	<u>40,138</u>	<u>1,825</u>
Undistributed expenditures - security					
Cleaning, repair, and maintenance service	-	6,755	6,755	6,704	51
Total	<u>-</u>	<u>6,755</u>	<u>6,755</u>	<u>6,704</u>	<u>51</u>
Undistributed expenditures - student transportation service					
Salaries for pupil trans (between home & school) - sp ed	42,172	2,350	44,522	42,800	1,722
Cleaning, repair, & maint. services	3,000	-	3,000	2,541	459
Contract service - aid in lieu pymts-non-public schools	1,768	884	2,652	2,652	-
Contract service -aid in lieu pymts-choice school studer	7,956	-	7,956	7,956	-
Contr service (oth. than between home & school) - vend	5,000	(1,647)	3,353	3,353	-
Contract service (sp ed stds) - vendors	1,750	(1,750)	-	-	-
Contract service (sp ed stds) - joint agreements	22,500	11,820	34,320	33,980	340
Contract service (spl. ed. students) - escs & ctsas	500	(500)	-	-	-
Miscellaneous purchased services - transportation	1,000	(600)	400	347	53
General supplies	7,000	(4,487)	2,513	1,184	1,329
Total	<u>92,646</u>	<u>6,070</u>	<u>98,716</u>	<u>94,813</u>	<u>3,903</u>
Unallocated benefits - employee benefits					
Social Security contributions	30,000	(4,500)	25,500	22,526	2,974
Other retirement contributions - PERS	29,985	(1,000)	28,985	28,530	455
Workmen's compensation	14,000	(1,000)	13,000	12,406	594
Health benefits	226,183	6,512	232,695	232,612	83
Tuition reimbursement	3,000	(1,000)	2,000	2,000	-
Other employee benefits	14,100	(1,000)	13,100	10,350	2,750
Total	<u>317,268</u>	<u>3,012</u>	<u>320,280</u>	<u>313,424</u>	<u>6,856</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
On-behalf TPAF Pension Contribution	\$ -	\$ -	\$ -	\$ 87,410	\$ (87,410)
On-behalf TPAF Post Retirement Medical Benefits	-	-	-	72,832	(72,832)
On-behalf TPAF Long-Term Disability Insurance	-	-	-	301	(301)
Reimbursed TPAF Social Security Contribution	-	-	-	63,987	(63,987)
Total	-	-	-	224,530	(224,530)
Total undistributed expenditures	\$ 1,335,269	\$ 18,731	\$ 1,354,000	\$ 1,531,377	\$ (177,377)
Total current	\$ 2,268,444	\$ (7,643)	\$ 2,260,801	\$ 2,423,875	\$ (163,074)
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - instruction	\$ -	\$ 8,502	\$ 8,502	\$ 8,502	\$ -
Undistributed expend. - required maint. for school fac	-	3,020	3,020	3,017	3
Total equipment	-	11,522	11,522	11,519	3
Facilities acquisition and construction service					
Other purchased professional and technology services	-	8,000	8,000	8,000	-
Construction services	-	38,920	38,920	38,920	-
Assessment for debt service on SDA funding	1,825	-	1,825	1,825	-
Total facilities acquisition and construction service	1,825	46,920	48,745	48,745	-
Total capital outlay	\$ 1,825	\$ 58,442	\$ 60,267	\$ 60,264	\$ 3
Total expenditures	\$ 2,270,269	\$ 50,799	\$ 2,321,068	\$ 2,484,139	\$ (163,071)
Excess (deficiency) of revenues over (under) expenditures	\$ (39,271)	\$ (50,799)	\$ (90,070)	\$ (1,539)	\$ 88,531
Other financing sources (uses)					
Operating transfer in					
Transfers from capital projects fund	-	-	-	26,040	26,040
Operating transfer out					
Transfers to cover deficit (enterprise fund)	-	(10,000)	(10,000)	(10,000)	-
Capital reserve - transfer to capital projects fund	-	-	-	(11,962)	(11,962)
Total other financing sources (uses)	-	(10,000)	(10,000)	4,078	14,078
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(39,271)	(60,799)	(100,070)	2,539	102,609
Fund balances, July 1	516,832	-	516,832	516,832	-
Fund balances, June 30	\$ 477,561	\$ (60,799)	\$ 416,762	\$ 519,371	\$ 102,609

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (18,484)	\$ -	\$ (18,484)	\$ (18,484)	\$ -
Increase in capital reserve	-	50,000	50,000	65,078	15,078
Withdrawal from capital reserve	-	(46,920)	(46,920)	(46,920)	-
Budgeted fund balance	<u>(20,787)</u>	<u>(63,879)</u>	<u>(84,666)</u>	<u>2,865</u>	<u>87,531</u>
Total	<u>\$ (39,271)</u>	<u>\$ (60,799)</u>	<u>\$ (100,070)</u>	<u>\$ 2,539</u>	<u>\$ 102,609</u>
Recapitulation of fund balance					
Restricted fund balance					
Capital reserve				\$ 179,036	
Emergency reserve				19,066	
Maintenance reserve				75,000	
Committed fund balance					
Year-end encumbrances				917	
Unassigned fund balance				<u>245,352</u>	
Fund balance per budgetary basis				519,371	
Reconciliation to governmental statements (GAAP)					
Last State aid payments not recognized on GAAP basis				<u>(33,277)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 486,094</u>	

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources	\$ 810	\$ -	\$ 810	\$ -	\$ (810)
Federal sources	53,290	-	53,290	53,290	-
Total revenues	<u>\$ 54,100</u>	<u>\$ -</u>	<u>\$ 54,100</u>	<u>\$ 53,290</u>	<u>\$ (810)</u>
Expenditures					
Instruction					
Purchased professional and technical services	\$ 17,140	\$ -	\$ 17,140	\$ 17,140	\$ -
Other purchased services	810	-	810	-	810
General supplies	1,434	(1,434)	-	-	-
Total	<u>19,384</u>	<u>(1,434)</u>	<u>17,950</u>	<u>17,140</u>	<u>810</u>
Support services					
Tuition	28,312	1,434	29,746	29,746	-
Purchased professional and technical services	-	1,311	1,311	1,311	-
Other purchased services	4,609	(2,011)	2,598	2,598	-
Supplies	1,795	700	2,495	2,495	-
Total	<u>34,716</u>	<u>1,434</u>	<u>36,150</u>	<u>36,150</u>	<u>-</u>
Total expenditures	<u>\$ 54,100</u>	<u>\$ -</u>	<u>\$ 54,100</u>	<u>\$ 53,290</u>	<u>\$ 810</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to Required Supplementary Information
Budgetary Comparison Schedule

Explanation of Differences Between Budgetary Inflows and
Outflows and GAAP Revenues and Expenditures

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 2,482,600	\$ 53,290
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized		
Outstanding encumbrances prior year	-	125
Adjustment to prior year encumbrances	-	(125)
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	33,201	-
State aid receivable current year	(33,277)	-
Total revenues (GAAP Basis)	<u>\$ 2,482,524</u>	<u>\$ 53,290</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 2,484,139	\$ 53,290
Differences-Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes		
Outstanding encumbrances prior year	-	125
Adjustment to prior year encumbrances	-	(125)
Total expenditures (GAAP Basis)	<u>\$ 2,484,139</u>	<u>\$ 53,290</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**SCHEDULES RELATED TO ACCOUNTING
AND REPORTING FOR PENSIONS (GASB 68) (UNAUDITED)**

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.0030978661%	0.0029694144%	0.0021266748%	0.0232839760%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 917,499	\$ 666,574	\$ 398,172	\$ 445,003	N/A	N/A	N/A	N/A	N/A
District's covered employee payroll	N/A	224,806	212,947	184,167	147,067	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	408.13%	313.02%	216.20%	302.59%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Pension Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 27,521	\$ 25,529	\$ 17,532	\$ 17,544	\$ 17,998	\$ 18,880	\$ 20,797	\$ 14,317	\$ 10,448	\$ -
Contributions in relation to the contractually required contribution	<u>(27,521)</u>	<u>(25,529)</u>	<u>(17,532)</u>	<u>(17,544)</u>	<u>(17,998)</u>	<u>(18,880)</u>	<u>(20,797)</u>	<u>(14,317)</u>	<u>(10,448)</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 169,089	\$ 224,806	\$ 212,947	\$ 184,167	\$ 147,067	\$ 160,384	\$ 164,645	\$ 177,704	\$ 179,272	\$ -
Contributions as a percentage of covered employee payroll	16.28%	11.36%	8.23%	9.53%	12.24%	11.77%	12.63%	8.06%	5.83%	0.00%

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	N/A	5,013,924	4,650,799	4,167,901	3,804,109	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 5,013,924	\$ 4,650,799	\$ 4,167,901	\$ 3,804,109	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 820,687	\$ 725,683	\$ 705,292	\$ 748,613	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Pension Contributions - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 87,410	\$ 51,030	\$ 39,781	\$ 32,989	\$ 48,637	\$ 23,363	\$ 2,102	\$ 2,422	\$ 2,670	N/A
Contributions in relation to the contractually required contribution	<u>(87,410)</u>	<u>(51,030)</u>	<u>(39,781)</u>	<u>(32,989)</u>	<u>(48,637)</u>	<u>(23,363)</u>	<u>(2,102)</u>	<u>(2,422)</u>	<u>(2,670)</u>	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 876,712	\$ 820,687	\$ 725,683	\$ 705,292	\$ 748,613	\$ 763,317	\$ 708,097	\$ 732,346	\$ 688,533	N/A
Contributions as a percentage of covered employee payroll	9.97%	6.22%	5.48%	4.68%	6.50%	3.06%	0.30%	0.33%	0.39%	N/A

N/A - Not Available

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2017

- Note 1 - Special funding situation - TPAF
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF
The discount rate decreased from 4.13% in State fiscal year 2015 to 3.22% in State fiscal year 2016. The inflation rate was 2.50% for State fiscal years 2015 and 2016.
- Note 3 - Changes in assumptions - PERS
The discount rate decreased from 4.90% in State fiscal year 2015 to 3.98% in State fiscal year 2016. The inflation rate increased from 3.04% for State fiscal year 2015 to 3.08% for State fiscal year 2016.

SPECIAL REVENUE FUND

DETAIL STATEMENTS

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted expenditures for specific purposes.

MILFORD BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	Small, Rural School Achievement	NCLB Title IA	NCLB Title IIA	IDEA Basic	IDEA Preschool	Total
Revenues						
Federal sources	\$ 19,738	\$ 102	\$ 3,704	\$ 28,312	\$ 1,434	\$ 53,290
Total revenues	\$ 19,738	\$ 102	\$ 3,704	\$ 28,312	\$ 1,434	\$ 53,290
Expenditures						
Instruction						
Purchased professional and technical services	\$ 17,140	\$ -	\$ -	\$ -	\$ -	\$ 17,140
Total	17,140	-	-	-	-	17,140
Support services						
Tuition	-	-	-	28,312	1,434	29,746
Purchased professional and technical services	-	102	1,209	-	-	1,311
Other purchased services	2,598	-	-	-	-	2,598
Supplies	-	-	2,495	-	-	2,495
Total	2,598	102	3,704	28,312	1,434	36,150
Total expenditures	\$ 19,738	\$ 102	\$ 3,704	\$ 28,312	\$ 1,434	\$ 53,290

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

MILFORD BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Fiscal Year Ended June 30, 2017

Description	Approval Date	Revised Budgetary Appropriations	Expenditures to Date		Unexpended Appropriations 06/30/17
			Prior Years	Current Year	
Lower level toilet renovations	3/31/14	\$ 179,959	\$167,200	\$ 12,759	\$ -
Upper level toilet renovations	3/31/14	90,000	56,597	33,403	-
		<u>\$ 269,959</u>	<u>\$ 223,797</u>	<u>\$ 46,162</u>	<u>\$ -</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

Revenues	
Local sources	\$ 11,962
State sources	(2,003)
Total revenues	<u>9,959</u>
Expenditures	
Purchased professional and services	1,755
Construction services	18,367
Transfer to capital reserve	26,040
Total expenditures	<u>46,162</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(36,203)
Net position - beginning	<u>36,203</u>
Net position - ending	<u>\$ -</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Lower Level Toilet Room Renovation
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources				
Transfer from capital reserve	\$ 102,000	\$ 11,962	\$ 113,962	\$ 113,962
State sources				
School development authority grant	68,000	(2,003)	65,997	65,997
Total revenues	<u>170,000</u>	<u>9,959</u>	<u>179,959</u>	<u>179,959</u>
Expenditures and other financing uses				
Architect fees	3,751	1,144	4,895	4,895
Construction services	162,450	11,615	174,065	174,065
Transfer to general fund	999	-	999	999
Total expenditures	<u>167,200</u>	<u>12,759</u>	<u>179,959</u>	<u>179,959</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 2,800</u>	<u>\$ (2,800)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information

Project number	SDA3180-050-14-GISE
Grant authorization date	03/31/14
Grant authorized	\$ 68,000
Grant issued	\$ 68,000
Original authorized cost	\$ 170,000
Additional authorized cost	9,959
Revised authorized cost	\$ 179,959
Percentage completion	100%

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Upper Level Toilet Room Renovation
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources				
Transfer from capital reserve	\$ 54,000	\$ -	\$ 54,000	\$ 54,000
State sources				
School development authority grant	36,000	-	36,000	36,000
Total revenues	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>90,000</u>
Expenditures and other financing uses				
Architect fees	1,972	611	2,583	2,583
Construction services	54,625	6,752	61,377	61,377
Transfer to capital reserve	-	26,040	26,040	26,040
Total expenditures	<u>56,597</u>	<u>33,403</u>	<u>90,000</u>	<u>90,000</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 33,403</u>	<u>\$ (33,403)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information

Project number	SDA3180-050-14-GISD
Grant authorization date	03/31/14
Grant authorized	\$ 36,000
Grant issued	\$ 54,000
Original authorized cost	\$ 90,000
Additional authorized cost	-
Revised authorized cost	\$ 90,000
Percentage completion	100%

See independent auditors' report.

PROPRIETARY FUND

DETAIL STATEMENTS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District's Board is that the costs of providing goods or services be financed through user charges.

MILFORD BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Net Position
For the Fiscal Year Ended June 30, 2017

Assets	
Current assets	
Cash and cash equivalents	\$ 6,920
Receivables from other governments	
State	13
Federal	302
Inventory	488
Total current assets	<u>7,723</u>
Noncurrent assets	
Capital assets	22,397
Less: accumulated depreciation	<u>18,605</u>
Total noncurrent assets	<u>3,792</u>
Total assets	<u>11,515</u>
Liabilities	
Current liabilities	
Unearned revenues - commodities	<u>488</u>
Total liabilities	<u>488</u>
Net position	
Net investment in capital assets	3,792
Unrestricted	<u>7,235</u>
Total net position	<u><u>\$ 11,027</u></u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2017

Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 12,744
Daily sales - non-reimbursable programs	2,396
Total operating revenues	<u>15,140</u>
Operating expenses	
Cost of sales - reimbursable programs	10,012
Cost of sales - non-reimbursable programs	10,732
Commodity food costs	1,726
Salaries	3,959
Support services - employee benefits	563
Purchased professional/technical services	377
Purchased property services	954
Other purchased services	
Insurance	738
Management fee	2,000
Depreciation	670
Miscellaneous expenditures	80
Total operating expenses	<u>31,811</u>
Operating income (loss)	<u>(16,671)</u>
Non-operating revenues (expenses)	
State sources	
State School Lunch Program	277
Federal sources	
National School Lunch Program	
Cash assistance	7,020
Non-cash assistance (commodities)	1,726
Other sources (uses)	
Operating transfer in	10,000
Loss on disposal of assets	(1,344)
Total non-operating revenues (expenses)	<u>17,679</u>
Change in net position	1,008
Net position, beginning	<u>10,019</u>
Net position, ending	<u>\$ 11,027</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

Cash flows from operating activities	
Receipts from customers (net)	\$ 15,140
Payments to Food Service Management Co.	(10,028)
Payments to vendors (net)	(19,387)
Net cash provided by (used for) operating activities	<u>(14,275)</u>
 Cash flows from non-capital financing activities	
State sources	277
Federal sources	7,020
Net interfund transactions	10,927
Net cash provided by (used for) non-capital financing activities	<u>18,224</u>
 Cash flows from capital financing activities	
Acquisition of equipment	(1,964)
Net cash provided by (used for) capital financing activities	<u>(1,964)</u>
 Net increase in cash and cash equivalents	1,985
 Cash and cash equivalents, July 1	<u>4,935</u>
 Cash and cash equivalents, June 30	<u>\$ 6,920</u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (16,671)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	670
Federal food donation program	1,726
(Increase) decrease in inventory	(167)
Increase (decrease) in deferred revenue	167
Net cash provided by (used for) operating activities	<u>\$ (14,275)</u>

See independent auditors' report.

FIDUCIARY FUND

DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the School District as an agent for individuals, private organizations, other government and/or other funds.

MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2017

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 34,390	\$ 7,915	\$ 20,567	\$ 62,872
Total assets	\$ 34,390	\$ 7,915	\$ 20,567	\$ 62,872
Liabilities				
Due to other funds	\$ -	\$ -	\$ 600	\$ 600
Due to students groups	-	7,915	-	7,915
Payroll deductions & withholdings	-	-	19,967	19,967
Total liabilities	-	7,915	20,567	28,482
Net position				
Held in trust for unemployment claims & other purposes	\$ 34,390	\$ -	\$ -	\$ 34,390

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Schedule of Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 2,133
Investment earnings - interest	<u>18</u>
Total additions	2,151
Deductions	
Unemployment claims	<u>6,450</u>
Change in net position	(4,299)
Net position, beginning of the year	<u>38,689</u>
Net position, end of the year	<u><u>\$ 34,390</u></u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2017

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Assets				
Cash and cash equivalents	\$ 4,624	\$ 22,430	\$ 19,139	\$ 7,915
Total assets	<u>\$ 4,624</u>	<u>\$ 22,430</u>	<u>\$ 19,139</u>	<u>\$ 7,915</u>
Liabilities				
Due to student groups	\$ 4,624	\$ 22,430	\$ 19,139	\$ 7,915
Total liabilities	<u>\$ 4,624</u>	<u>\$ 22,430</u>	<u>\$ 19,139</u>	<u>\$ 7,915</u>

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MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2017

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Assets				
Cash and cash equivalents	\$ 20,324	\$ 1,291,010	\$ 1,290,767	\$ 20,567
Total assets	<u>\$ 20,324</u>	<u>\$ 1,291,010</u>	<u>\$ 1,290,767</u>	<u>\$ 20,567</u>
Liabilities				
Due to other funds	\$ 1,600	\$ -	\$ 1,000	\$ 600
Payroll deductions and withholdings	10,181	641,819	640,576	11,424
Net payroll	8,543	649,191	649,191	8,543
Total liabilities	<u>\$ 20,324</u>	<u>\$ 1,291,010</u>	<u>\$ 1,290,767</u>	<u>\$ 20,567</u>

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

The Long-Term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

MILFORD BOROUGH SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2017

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/2016	Issued	Retired	Balance 6/30/2017
			Date	Amount					
Series 2009	07/15/09	\$ 480,000	7/15/17	\$ 30,000	5.13%	\$ 315,000	\$ -	\$ 30,000	\$ 285,000
			7/15/18	30,000	-	-	-	-	-
			7/15/19	35,000	-	-	-	-	-
			7/15/20	35,000	-	-	-	-	-
			7/15/21	35,000	-	-	-	-	-
			7/15/22	40,000	-	-	-	-	-
			7/15/23	40,000	-	-	-	-	-
			7/15/24	40,000	-	-	-	-	-
					<u>\$ 315,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 285,000</u>	

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 45,375	\$ -	\$ 45,375	\$ 45,375	\$ -
Total revenues	<u>45,375</u>	<u>-</u>	<u>45,375</u>	<u>45,375</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	30,000	-	30,000	30,000	-
Interest	15,375	-	15,375	15,375	-
Total expenditures	<u>45,375</u>	<u>-</u>	<u>45,375</u>	<u>45,375</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

STATISTICAL SECTION

MILFORD BOROUGH SCHOOL DISTRICT
Statistical Section J Series

CONTENTS	PAGE
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 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend 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 to 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.	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20
Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.	

MILFORD BOROUGH SCHOOL DISTRICT
Net Position by Component
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government activities										
Net investment in capital assets	\$ 66,694	\$ 75,933	\$ 238,477	\$ 352,635	\$ 367,969	\$ 438,675	\$ 485,534	\$ 506,905	\$ 749,823	\$ 822,976
Restricted	112,917	94,297	16,100	13,815	215,520	83,722	226,165	373,659	291,147	273,102
Unrestricted	193,559	213,698	227,570	202,965	272,105	289,262	(295,982)	(242,968)	(303,971)	(402,758)
Total governmental activities	\$ 373,170	\$ 383,928	\$ 482,147	\$ 569,415	\$ 855,594	\$ 811,659	\$ 415,717	\$ 637,596	\$ 736,999	\$ 693,320
Business-type activities										
Net investment in capital assets	\$ 1,905	\$ 1,174	\$ 443	\$ 4,368	\$ 6,196	\$ 5,607	\$ 5,019	\$ 4,431	\$ 3,843	\$ 3,792
Unrestricted	22,966	15,693	10,686	6,326	11,087	22,617	19,240	13,861	6,176	7,235
Total business-type activities	\$ 24,871	\$ 16,867	\$ 11,129	\$ 10,694	\$ 17,283	\$ 28,224	\$ 24,259	\$ 18,292	\$ 10,019	\$ 11,027
District-wide										
Net investment in capital assets	\$ 68,599	\$ 77,107	\$ 238,920	\$ 357,003	\$ 374,165	\$ 444,282	\$ 490,553	\$ 511,336	\$ 753,666	\$ 826,768
Restricted	112,917	94,297	16,100	13,815	215,520	83,722	226,165	373,659	291,147	273,102
Unrestricted	216,525	229,391	238,256	209,291	283,192	311,879	(276,742)	(229,107)	(297,795)	(395,523)
Total district-wide	\$ 398,041	\$ 400,795	\$ 493,276	\$ 580,109	\$ 872,877	\$ 839,883	\$ 439,976	\$ 655,888	\$ 747,018	\$ 704,347

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 750,242	\$ 834,153	\$ 805,715	\$ 802,131	\$ 848,431	\$ 930,268	\$ 960,311	\$ 1,042,003	\$ 1,046,780	\$ 1,301,717
Special education	227,044	243,347	280,703	258,421	288,379	288,298	319,513	306,097	344,532	171,231
Other special education	12,759	16,348	2,652	-	-	-	-	-	-	-
Other instruction	14,748	15,918	14,169	18,207	21,188	23,862	33,059	23,419	74,096	47,624
Support services										
Tuition	99,126	161,528	194,963	170,910	83,704	143,461	113,397	150,041	130,450	119,434
Student & instruction related services	321,952	372,571	382,275	384,545	390,366	402,995	402,568	526,520	474,697	628,549
General & business administrative services	115,503	157,071	124,219	141,342	168,193	155,154	128,779	119,885	123,848	138,204
School administration	98,344	40,990	43,214	43,577	48,247	51,060	42,457	70,726	71,273	81,600
Plant operations & maintenance	187,794	225,067	149,970	162,360	219,709	209,420	227,639	176,776	254,049	323,959
Pupil transportation	66,109	111,737	167,303	140,387	114,722	117,450	100,701	122,971	123,621	160,778
Interest on long-term debt	20	17	37,493	15,826	25,177	22,006	21,531	19,870	18,032	16,496
Unallocated deprec & amort	211,398	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>2,105,039</u>	<u>2,178,747</u>	<u>2,202,676</u>	<u>2,137,706</u>	<u>2,208,116</u>	<u>2,343,974</u>	<u>2,349,955</u>	<u>2,558,308</u>	<u>2,661,378</u>	<u>2,989,592</u>
Business-type activities										
Food services	39,420	42,999	35,437	34,277	42,667	43,705	45,630	34,007	34,830	31,811
Total business-type activities	<u>39,420</u>	<u>42,999</u>	<u>35,437</u>	<u>34,277</u>	<u>42,667</u>	<u>43,705</u>	<u>45,630</u>	<u>34,007</u>	<u>34,830</u>	<u>31,811</u>
Total district expenses	<u>\$ 2,144,459</u>	<u>\$ 2,221,746</u>	<u>\$ 2,238,113</u>	<u>\$ 2,171,983</u>	<u>\$ 2,250,783</u>	<u>\$ 2,387,679</u>	<u>\$ 2,395,585</u>	<u>\$ 2,592,315</u>	<u>\$ 2,696,208</u>	<u>\$ 3,021,403</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program revenues										
Governmental activities										
Charges for services	\$ 16,604	\$ 59,931	\$ 35,265	\$ 60,596	\$ 49,808	\$ 51,035	\$ 51,227	\$ 67,848	\$ 42,721	\$ 42,965
Operating grants & contributions	60,843	54,856	57,692	73,753	49,248	61,709	69,489	58,216	46,724	53,290
Total governmental activities program revenues	<u>77,447</u>	<u>114,787</u>	<u>92,957</u>	<u>134,349</u>	<u>99,056</u>	<u>112,744</u>	<u>120,716</u>	<u>126,064</u>	<u>89,445</u>	<u>96,255</u>
Business-type activities										
Charges for services										
Food service	25,112	24,385	19,703	21,284	23,124	20,351	20,443	19,706	17,000	15,140
Operating grants & contributions	3,878	6,706	6,980	7,975	7,722	15,417	15,436	8,334	9,557	9,023
Total business-type activities program revenues	<u>28,990</u>	<u>31,091</u>	<u>26,683</u>	<u>29,259</u>	<u>30,846</u>	<u>35,768</u>	<u>35,879</u>	<u>28,040</u>	<u>26,557</u>	<u>24,163</u>
Total district - program revenues	<u>\$ 106,437</u>	<u>\$ 145,878</u>	<u>\$ 119,640</u>	<u>\$ 163,608</u>	<u>\$ 129,902</u>	<u>\$ 148,512</u>	<u>\$ 156,595</u>	<u>\$ 154,104</u>	<u>\$ 116,002</u>	<u>\$ 120,418</u>
Net (expense) revenues										
Governmental activities	\$ (2,027,592)	\$ (2,063,960)	\$ (2,109,719)	\$ (2,003,357)	\$ (2,109,060)	\$ (2,231,230)	\$ (2,229,239)	\$ (2,432,244)	\$ (2,571,933)	\$ (2,893,337)
Business-type activities	(10,430)	(11,908)	(8,754)	(5,018)	(11,821)	(7,937)	(9,751)	(5,967)	(8,273)	(7,648)
Total district-wide net expenses	<u>\$ (2,038,022)</u>	<u>\$ (2,075,868)</u>	<u>\$ (2,118,473)</u>	<u>\$ (2,008,375)</u>	<u>\$ (2,120,881)</u>	<u>\$ (2,239,167)</u>	<u>\$ (2,238,990)</u>	<u>\$ (2,438,211)</u>	<u>\$ (2,580,206)</u>	<u>\$ (2,900,985)</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 1,561,780	\$ 1,594,534	\$ 1,650,851	\$ 1,693,885	\$ 1,690,000	\$ 1,722,955	\$ 1,753,938	\$ 1,783,737	\$ 1,819,400	\$ 1,855,788
Taxes levied for debt service	180	178	10,976	47,761	46,759	45,748	49,653	48,281	44,725	45,375
Unrestricted grants & contributions	511,988	425,095	434,125	342,642	415,287	448,413	458,581	708,734	799,973	957,761
Capital grants - unallocated	-	33,600	96,000	-	228,240	-	-	104,000	-	-
Investment earnings	-	5,120	2,486	462	237	122	203	315	-	-
Miscellaneous income	46,668	20,083	16,500	10,455	12,412	9,645	11,723	9,056	7,391	2,737
Grant funds deobligated	-	-	-	-	-	-	(7,320)	-	-	(2,003)
Prior year adjustment - capital projects interest income	-	-	-	-	-	-	(237)	-	-	-
Operating transfer	(10,295)	(3,891)	(3,000)	(4,580)	(18,407)	(18,877)	(5,785)	-	-	(10,000)
Special item - gain/(loss) on disposal of assets	-	-	-	-	-	-	-	-	(153)	-
Total governmental activities	<u>2,110,321</u>	<u>2,074,719</u>	<u>2,207,938</u>	<u>2,090,625</u>	<u>2,374,528</u>	<u>2,208,006</u>	<u>2,260,756</u>	<u>2,654,123</u>	<u>2,671,336</u>	<u>2,849,658</u>
Business-type activities										
Investment earnings	26	13	16	3	3	1	1	-	-	-
Special item - gain/(loss) on disposal of assets	-	-	-	-	-	-	-	-	-	(1,344)
Operating transfer	10,295	3,891	3,000	4,580	18,407	18,877	5,785	-	-	10,000
Total business-type activities	<u>10,321</u>	<u>3,904</u>	<u>3,016</u>	<u>4,583</u>	<u>18,410</u>	<u>18,878</u>	<u>5,786</u>	<u>-</u>	<u>-</u>	<u>8,656</u>
Total district-wide	<u>\$ 2,120,642</u>	<u>\$ 2,078,623</u>	<u>\$ 2,210,954</u>	<u>\$ 2,095,208</u>	<u>\$ 2,392,938</u>	<u>\$ 2,226,884</u>	<u>\$ 2,266,542</u>	<u>\$ 2,654,123</u>	<u>\$ 2,671,336</u>	<u>\$ 2,858,314</u>
Change in net position										
Governmental activities	\$ 82,729	\$ 10,759	\$ 98,219	\$ 87,268	\$ 265,468	\$ (23,224)	\$ 31,517	\$ 221,879	\$ 99,403	\$ (43,679)
Business-type activities	(109)	(8,004)	(5,738)	(435)	6,589	10,941	(3,965)	(5,967)	(8,273)	1,008
Total district	<u>\$ 82,620</u>	<u>\$ 2,755</u>	<u>\$ 92,481</u>	<u>\$ 86,833</u>	<u>\$ 272,057</u>	<u>\$ (12,283)</u>	<u>\$ 27,552</u>	<u>\$ 215,912</u>	<u>\$ 91,130</u>	<u>\$ (42,671)</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Restricted	\$ 1	\$ 1	\$ 1	\$ 45,000	\$ 48,473	\$ 123,473	\$ 223,978	\$ 114,944	\$ 254,944	\$ 273,102
Committed	112,920	81,016	105,396	158,252	141,415	126,095	9,105	15,894	18,484	917
Assigned		-	100,000		20,611		18,425	50,787	20,787	-
Unassigned	221,661	241,760	149,856	209,530	259,459	200,374	172,088	217,423	189,416	212,075
Total general fund	<u>\$ 334,582</u>	<u>\$ 322,777</u>	<u>\$ 355,253</u>	<u>\$ 412,782</u>	<u>\$ 469,958</u>	<u>\$ 449,942</u>	<u>\$ 423,596</u>	<u>\$ 399,048</u>	<u>\$ 483,631</u>	<u>\$ 486,094</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ -	\$ 13,283	\$ (90,175)	\$ (190,318)	\$ 28,222	\$ (37,162)	\$ -	\$ 256,528	\$ 36,203	\$ -
Special revenue fund	(76)	-	-	-	-	-	-	-	-	-
Assigned, reported in										
Capital projects fund	-	8	878	881	883	884	-	-	-	-
Debt service fund	(3)	(3)	-	-	-	-	2,187	2,187	-	-
Total all other governmental funds	<u>\$ (79)</u>	<u>\$ 13,288</u>	<u>\$ (89,297)</u>	<u>\$ (189,437)</u>	<u>\$ 29,105</u>	<u>\$ (36,278)</u>	<u>\$ 2,187</u>	<u>\$ 258,715</u>	<u>\$ 36,203</u>	<u>\$ -</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 1,561,960	\$ 1,594,712	\$ 1,661,827	\$ 1,741,646	\$ 1,736,759	\$ 1,768,703	\$ 1,803,591	\$ 1,832,018	\$ 1,864,125	\$ 1,901,163
Other local governmental units	-	-	-	-	-	-	-	-	5,369	3,650
Tuition charges	-	49,350	35,265	56,253	46,864	49,126	46,359	64,412	37,352	39,315
Interest earnings	-	5,120	2,486	462	237	122	203	315	-	-
Transportation fees	16,604	-	-	-	-	-	-	-	-	-
Miscellaneous	-	31,485	16,500	14,798	15,356	11,554	16,591	17,484	7,391	2,737
Miscellaneous - prior year	48,297	-	-	-	-	-	-	-	-	-
State sources	512,304	426,451	407,259	342,642	404,751	448,413	458,581	484,462	516,000	579,031
State sources - capital grants	-	33,600	96,000	-	228,240	-	(7,320)	104,000	-	-
Federal sources	58,897	52,679	84,558	73,753	59,784	61,709	69,489	53,224	46,724	53,290
Total revenues	2,198,062	2,193,397	2,303,895	2,229,554	2,491,991	2,339,627	2,387,494	2,555,915	2,476,961	2,579,186
Expenditures										
Instruction										
Regular instruction	656,237	666,987	647,950	614,998	654,650	682,742	687,590	656,977	694,690	778,012
Special education instruction	191,096	193,299	212,904	190,987	199,600	207,740	217,792	215,532	209,577	102,039
Other special instruction	9,244	12,687	1,449	-	6,252	6,220	9,561	206	-	-
Other instruction	12,985	15,834	14,105	16,372	20,828	22,324	31,298	23,048	29,869	29,587
Support services										
Tuition	99,126	161,528	194,963	170,910	83,704	143,461	113,397	150,041	130,450	119,434
Student & inst related services	304,215	333,702	340,134	341,826	337,103	354,815	356,914	414,923	367,268	419,731
General administration	54,558	91,088	67,479	82,354	80,970	81,807	77,558	64,550	62,011	70,558
School administration services	83,537	33,305	34,254	34,583	38,522	37,218	36,829	45,153	46,966	47,237
Central services	59,500	63,731	53,975	55,434	59,642	63,272	48,646	49,928	47,600	49,188
Plant operations & maintenance	169,825	200,105	125,179	128,092	182,940	176,026	210,610	156,949	176,763	228,612
Pupil transportation	63,586	102,408	156,097	138,920	108,183	104,871	89,678	113,549	86,221	94,813
Employee benefits	396,281	184,808	197,705	223,128	233,843	248,800	257,334	242,517	271,496	313,424
On-behalf TPAF Pension & Social Security Contribution	-	107,917	103,754	100,630	127,812	159,552	139,438	156,282	171,700	224,530
Capital outlay	-	-	50,000	-	-	-	36,190	7,527	24,041	60,264
Capital projects	-	20,317	679,458	100,143	9,700	65,384	-	3,472	219,326	20,122
Debt service										
Principal	210	211	210	25,210	25,210	25,210	30,212	30,000	30,000	30,000
Interest & other charges	21	17	12,388	23,998	22,407	21,707	21,306	18,281	16,912	15,375
Total expenditures	2,100,421	2,187,944	2,892,004	2,247,585	2,191,366	2,401,149	2,364,353	2,348,935	2,584,890	2,602,926

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds (continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess (deficiency) of revenues over (under) expenditures	\$ 97,641	\$ 5,453	\$ (588,109)	\$ (18,031)	\$ 300,625	\$ (61,522)	\$ 23,141	\$ 206,980	\$ (107,929)	\$ (23,740)
Other financing sources (uses)										
Proceeds from bond issue	-	-	480,000	-	-	-	-	-	-	-
Capital leases (non-budgeted)	-	-	50,000	-	-	-	-	-	-	-
Prior year adjustment - capital project interest income	-	-	-	-	-	-	(237)	-	-	-
Transfers in (out)	(10,295)	(3,891)	(12,000)	(24,580)	(24,907)	(23,877)	(10,785)	(5,000)	-	(10,000)
Total other financing sources (uses)	(10,295)	(3,891)	518,000	(24,580)	(24,907)	(23,877)	(11,022)	(5,000)	-	(10,000)
Net change in fund balances	<u>\$ 87,346</u>	<u>\$ 1,562</u>	<u>\$ (70,109)</u>	<u>\$ (42,611)</u>	<u>\$ 275,718</u>	<u>\$ (85,399)</u>	<u>\$ 12,119</u>	<u>\$ 201,980</u>	<u>\$ (107,929)</u>	<u>\$ (33,740)</u>
Debt service as a percentage of non-capital expenditures	0.01%	0.01%	0.59%	2.35%	2.23%	2.05%	2.26%	2.11%	2.04%	1.83%

Source: District Records

NOTE: Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
General Fund - Other Local Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Interest income	\$ 7,346	\$ 5,112	\$ 1,616	\$ 459	\$ 235	\$ 121	\$ 203	\$ 315	\$ 373	\$ 407
Tuition	-	49,350	35,265	56,253	46,864	49,126	46,359	64,412	46,102	39,315
Milford - custodial services	-	4,020	4,089	4,308	2,944	1,684	3,368	3,436	5,369	3,650
Refunds	256	2,450	-	3,493	-	-	-	-	1,113	-
Before & after care	-	6,561	8,330	6,279	7,194	9,401	7,308	-	-	-
Contributions	-	285	4,138	478	1,219	-	-	-	404	100
Miscellaneous other	40,695	93	149	240	742	244	465	464	158	126
Transportation services	-	891	-	-	-	-	1,500	-	-	-
Building use fees	-	-	-	-	-	225	-	-	-	-
Insurance settlement	-	18,400	-	-	3,257	-	-	4,960	-	-
Sale of assets	-	-	-	-	-	-	2,500	-	-	-
Prior year refunds	-	-	-	-	-	-	1,450	1,602	(4,220)	607
E-Rate refunds	-	-	-	-	-	-	-	2,030	813	1,497
Prior year adjustment	-	(2,036)	(206)	-	-	-	-	-	-	-
Annual totals	<u>\$ 48,297</u>	<u>\$ 85,126</u>	<u>\$ 53,381</u>	<u>\$ 71,510</u>	<u>\$ 62,455</u>	<u>\$ 60,801</u>	<u>\$ 63,153</u>	<u>\$ 77,219</u>	<u>\$ 50,112</u>	<u>\$ 45,702</u>

Source: District Records

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Vacant land	\$ 1,505,600	\$ 2,212,100	\$ 2,643,000	\$ 2,647,800	\$ 2,634,300	\$ 2,580,300	\$ 2,265,200	\$ 2,265,200	\$ 2,179,300	\$ 2,138,600
Residential	95,519,000	96,064,900	95,595,200	95,320,400	95,332,200	94,829,000	94,913,600	94,625,300	94,300,400	94,080,271
Farm regular	1,408,500	1,413,900	1,413,900	1,408,800	1,408,800	1,408,800	1,418,800	1,418,800	1,418,800	1,418,800
Q farm	40,000	15,900	21,100	21,100	21,100	21,100	21,900	21,900	21,900	21,900
Commercial	12,455,970	12,455,970	12,455,970	12,444,170	12,759,270	12,759,270	12,759,270	12,447,070	12,447,070	12,447,070
Industrial	8,155,400	1,992,000	1,992,000	1,992,000	1,992,000	1,992,000	1,992,000	1,992,000	1,992,000	1,992,000
Apartment	3,238,200	3,238,200	3,238,200	3,238,200	3,238,200	3,238,200	3,238,200	2,900,000	2,900,000	2,900,000
Total assessed value	122,322,670	117,392,970	117,359,370	117,072,470	117,385,870	116,828,670	116,608,970	115,670,270	115,259,470	114,998,641
Public utilities (a)	236,757	265,500	260,294	229,368	241,622	222,189	182,366	188,786	182,807	182,071
Net valuation taxable	\$ 122,559,427	\$ 117,658,470	\$ 117,619,664	\$ 117,301,838	\$ 117,627,492	\$ 117,050,859	\$ 116,791,336	\$ 115,859,056	\$ 115,442,277	\$ 115,180,712
Estimated actual county equalized value	\$ 150,832,151	\$ 145,327,603	\$ 152,971,341	\$ 145,752,781	\$ 128,892,715	\$ 117,673,350	\$ 114,247,660	\$ 109,034,434	\$ 117,010,214	\$ 116,203,301
Percentage of net valuation to estimated actual equalized value	81.26%	80.96%	76.89%	80.48%	91.26%	99.47%	102.23%	106.26%	98.66%	99.12%
Total direct school tax rate (b)	\$ 1.30	\$ 1.41	\$ 1.48	\$ 1.48	\$ 1.50	\$ 1.54	\$ 1.53	\$ 1.65	\$ 1.65	\$ 1.68

Source: Municipal Tax Assessor

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 the County Board of Taxation requests Treasury to order a reassessment.

- (a) Taxable value of machinery, implements and equipment's of telephone and messenger system companies.
- (b) Tax rates are per \$100.

* Revalued/Reassessed

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$100 of Assessed Value)

Assessment Year	School District Direct Rate			Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate		Municipality	County	
2008	\$ 1.300	\$ -	\$ 1.300	\$ 0.590	\$ 0.640	\$ 0.400	\$ 2.930
2009	1.410	-	1.410	0.590	0.680	0.420	3.100
2010	1.440	0.040	1.480	0.680	0.680	0.440	3.280
2011	1.440	0.040	1.480	0.660	0.680	0.420	3.240
2012	1.470	0.040	1.510	0.510	0.690	0.370	3.080
2013	1.500	0.040	1.540	0.530	0.700	0.350	3.120
2014	1.530	0.040	1.570	0.610	0.710	0.350	3.200
2015	1.610	0.040	1.650	0.610	0.710	0.340	3.310
2016	1.608	0.039	1.647	0.668	0.716	0.359	3.390
2017	1.638	0.040	1.678	0.774	0.730	0.358	3.540

Sources: Municipal tax collector

NOTE: N.J.S.A. 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 pre-budget by more than the spending growth limitation calculated as follows: the pre-budget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

- (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.

* Revalued/Reassessed

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year and Nine Years Ago

	2017			2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
	Pinecrest Village Association	\$ 2,900,000	1	2.52%	\$ 3,238,200	2
International Paper Company	1,336,600	2	1.16%	-	-	0.00%
Hunterdon Medical Center Finance Dept	1,131,000	3	0.98%	1,131,000	3	0.92%
60 Bridge Street LLC	805,500	4	0.70%	-	-	0.00%
60 Bridge Street LLC	702,100	5	0.61%	-	-	0.00%
Individual Property Owner	573,700	6	0.50%	573,700	6	0.47%
Individual Property Owner	539,100	7	0.47%	539,700	7	0.44%
Stem Brothers	523,700	8	0.45%	523,700	8	0.43%
Individual Property Owner	504,800	9	0.44%	466,800	10	0.38%
Ingashdwe Trust	485,400	10	0.42%	-	-	0.00%
Royal Blue Papers Inc.	-	-	-	7,500,000	1	6.12%
TD Banknorth	-	-	-	702,100	5	0.57%
Barbieri Brothers Corp	-	-	-	832,100	4	0.68%
The Baker Acquisition Cort	-	-	-	490,400	9	0.40%
	<u>\$ 9,501,900</u>		<u>8.25%</u>	<u>\$ 15,997,700</u>		<u>13.05%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

<u>Year Ending December 31,</u>	<u>Taxes Levied for the Year</u>	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2007	\$ 3,544,050	\$ 3,266,638	92.17%
2008	3,623,741	3,316,138	91.51%
2009	3,646,061	3,558,758	97.61%
2010	3,855,890	3,734,128	96.84%
2011	3,815,422	3,689,189	96.69%
2012	3,621,640	3,480,713	96.11%
2013	3,652,339	3,499,883	95.83%
2014	3,734,313	3,550,937	95.09%
2015	3,829,709	3,708,595	96.84%
2016	3,913,852	3,813,032	97.42%

Source: District records including the Certificate and Report of School Taxes (A4F Form)

- (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.

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2008	\$ -	\$ 1,262	\$ -	\$ -	\$ -	\$ 1,262	0.00%	\$ 1
2009	-	1,052	-	-	-	1,052	0.00%	1
2010	480,000	842	50,000	-	-	530,842	0.68%	445
2011	455,000	632	40,833	-	-	496,465	0.61%	404
2012	430,000	422	31,267	-	-	461,689	0.54%	379
2013	405,000	212	21,285	-	-	426,497	0.47%	352
2014	375,000	-	10,869	-	-	385,869	0.43%	320
2015	345,000	-	-	-	-	345,000	0.37%	287
2016	315,000	-	-	-	-	315,000	0.33%	263
2017	285,000	-	-	-	-	285,000	N/A	240

NOTES: (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.

- (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.
- (b) Includes Early Retirement Incentive Plan (ERIP) refunding.

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 1,262	\$ -	\$ 1,262	0.00%	\$ 1
2009	1,052	-	1,052	0.00%	1
2010	480,842	-	480,842	0.41%	445
2011	455,632	-	455,632	0.39%	404
2012	430,422	-	430,422	0.37%	379
2013	405,212	-	405,212	0.35%	352
2014	375,000	-	375,000	0.32%	320
2015	345,000	-	345,000	0.30%	287
2016	315,000	-	315,000	0.27%	263
2017	285,000	-	285,000	0.25%	240

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

- (a) See Exhibit J-6 for property tax data.
- (b) Population data can be found in Exhibit J-14.

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2016

	Debt Outstanding	Estimated % Applicable (a)	Estimated Share of Overlapping Debt
Governmental unit			
Debt repaid with property taxes			
Municipality	\$ 903,350	100.00%	\$ 903,350
Regional High School	1,585,000	7.17%	113,583
County general obligation debt	75,793,752	0.56%	422,339
Subtotal, overlapping debt			1,439,272
School district direct debt			285,000
Total direct and overlapping debt			\$ 1,724,272

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

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 the residents and businesses of the municipality. This process recognizes that when considering the District's ability to issue and repay long-term debt, 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 payment.

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

See independent auditors' report.

**MILFORD BOROUGH SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year, 2017

	<u>Equalized Valuation Basis</u>	
	2016	\$ 116,282,758
	2015	117,241,303
	2014	109,728,964
		<u>\$ 343,253,025</u>
 Average equalized valuation of taxable property		<u>\$ 114,417,675</u>
 Debt limit (3.0% of average equalization value)	(a)	\$ 3,432,530
 Total net debt applicable to limit		<u>285,000</u>
 Legal debt margin		<u>\$ 3,147,530</u>

	<u>Fiscal Year</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$ 3,921,201	\$ 3,605,761	\$ 3,420,205	\$ 3,412,505	\$ 3,432,530
Total net debt applicable	<u>595,612</u>	<u>375,000</u>	<u>345,000</u>	<u>315,000</u>	<u>285,000</u>
Legal debt margin	<u>\$ 3,325,589</u>	<u>\$ 3,230,761</u>	<u>\$ 3,075,205</u>	<u>\$ 3,097,505</u>	<u>\$ 3,147,530</u>
 Total net debt applicable to the limit as a percentage of debt limit	15.19%	10.40%	10.09%	9.23%	8.30%

	<u>Fiscal Year</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 4,445,654	\$ 4,746,923	\$ 4,757,207	\$ 4,571,348	\$ 4,267,853
Total net debt applicable	<u>1,262</u>	<u>767,452</u>	<u>671,242</u>	<u>646,032</u>	<u>620,822</u>
Legal debt margin	<u>\$ 4,444,392</u>	<u>\$ 3,979,471</u>	<u>\$ 4,085,965</u>	<u>\$ 3,925,316</u>	<u>\$ 3,647,031</u>
 Total net debt applicable to the limit as a percentage of debt limit	0.03%	16.17%	14.11%	14.13%	14.55%

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

(a) Limit Set By N.J.S.A. 18A:24-19

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2008	1,194	\$ 82,452,864	\$ 69,056	7.1%
2009	1,192	78,588,560	65,930	12.2%
2010	1,228	81,560,076	66,417	12.7%
2011	1,217	85,546,581	70,293	12.5%
2012	1,211	90,367,242	74,622	12.9%
2013	1,206	89,675,748	74,358	5.9%
2014	1,202	93,688,688	77,944	5.1%
2015	1,198	96,749,282	80,759	5.2%
2016	1,189	N/A	N/A	4.7%
2017	N/A	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept of Labor and Workforce
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented
- (c) Per capita personal income by County estimated based upon the 2010 census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce

MILFORD BOROUGH SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago

2017

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2008

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction	14.20	14.60	15.60	14.60	14.80	14.60	16.26	16.65	16.53	15.65
Related services	3.20	3.20	3.20	3.20	3.20	2.90	2.89	2.00	2.00	2.04
General administration	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.49	0.49	0.49
School administration services	0.70	0.70	0.70	0.70	0.70	0.42	0.41	0.51	0.71	0.81
Business office	0.60	0.60	0.60	0.60	0.60	0.47	0.36	0.46	0.46	0.46
Building maintenance	1.80	1.80	1.80	1.80	1.80	1.26	1.26	1.26	1.26	1.47
Transportation	0.30	0.30	0.30	0.30	0.30	0.76	0.62	0.62	0.62	0.62
Cafeteria	0.60	-	-	-	-	-	-	-	-	-
Total	21.80	21.60	22.60	21.60	21.80	20.81	22.20	21.99	22.07	21.54

Source: District Personnel Records

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff (b)</u>	<u>Teacher Ratio</u>	<u>Average Daily Enrollment (ADE) (c)</u>	<u>Average Daily Attendance (ADA) (c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2008	116	\$ 2,100,190	\$ 18,105	-1.85%	14.0	1 to 8.29	114.9	110.1	1.23%	95.82%
2009	102	2,167,399	21,249	17.36%	19.0	1 to 7.93	103.3	99.4	-10.10%	96.22%
2010	114	2,149,948	18,859	-11.25%	23.0	1 to 5.70	106.1	101.4	2.71%	95.57%
2011	116	2,098,234	18,088	-4.09%	23.0	1 to 5.04	117.1	112.0	10.37%	95.64%
2012	122	2,134,049	17,492	-3.30%	23.2	1 to 5.26	122.0	117.2	4.18%	96.07%
2013	114	2,288,848	20,078	14.78%	14.6	1 to 7.80	115.4	109.1	-5.41%	94.54%
2014	107	2,276,645	21,277	5.97%	13.2	1 to 8.11	107.0	105.5	-7.28%	98.60%
2015	95	2,289,655	24,102	13.28%	13.6	1 to 6.98	94.7	92.4	-11.50%	97.57%
2016	89	2,294,611	25,782	6.97%	13.8	1 to 6.45	92.1	89.3	-2.75%	96.98%
2017	81	2,477,165	30,582	18.62%	18.8	1 to 5.90	80.7	77.9	-12.38%	96.53%

Source: District Records

- (a) Operating expenditures equal total expenditures less debt service and capital outlay.
- (b) Teaching staff includes only full-time equivalents or certificated staff.
- (c) Average Daily Enrollment and Average Daily Attendance are obtained from the School Register Summary (SRS).

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary (1924)										
Square feet	19,506	19,506	19,506	19,506	19,506	19,506	19,506	19,506	19,506	19,506
Capacity (students)	151.0	151.0	151.0	151.0	151.0	151.0	151.0	151.0	151.0	151.0
Enrollment	116.0	102.0	114.0	116.0	122.0	114.0	107.0	95.0	89.0	81.0
Number of schools at June 30, 2017										
Elementary	1									

Source: District Facilities Office

NOTE: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Required Maintenance Expenditures by School Facility
Last Ten Fiscal Years

Undistributed expenditures - Required maintenance for school facilities

<u>Fiscal Year Ending</u>	<u>Amount</u>	<u>Total</u>
2008	\$ 25,611	\$ 25,611
2009	55,876	55,876
2010	28,183	28,183
2011	25,392	25,392
2012	49,842	49,842
2013	64,552	64,552
2014	70,996	70,996
2015	24,377	24,377
2016	39,575	39,575
2017	70,384	70,384
	<hr/>	<hr/>
Total school facilities	\$ 454,788	\$ 454,788
	<hr/> <hr/>	<hr/> <hr/>

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

Source: District Records

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Insurance Schedule
June 30, 2017
(Unaudited)

	<u>Coverage</u>
School Package Policy - School Alliance Insurance Fund	
Property - Blanket Building and Contents	\$ 4,540,886
Comprehensive General Liability	5,000,000
Excess Liability	10,000,000
Blanket Dishonesty Bond	500,000
 Boiler & Machinery - School Alliance Insurance Fund	
Property Damage	4,540,886
 School Board Legal Liability - School Alliance Insurance Fund	
Directors and Officers Policy	15,000,000
 Workers Compensation - NJ Schools Insurance Group	
Per Accident, Disease and Disease Limit	2,000,000
 Student Accident - Berkley Insurance	1,000,000
 Public Employees' Faithful Performance - Selective Insurance Co	
Treasurer of School Monies Bond	130,000
School Board Secretary Bond	130,000

Source: District Records

See independent auditors' report.



**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***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Milford Borough School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Milford Borough School 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 14, 2017
Flemington, New Jersey



**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by The Uniform Guidance and New Jersey
OMB Circular Letter 15-08**

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

Report on Compliance for Each Major Federal Program and State Program

We have audited the Milford Borough School District's, (the District), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the New Jersey OMB Circular Letter 15-08 that could have a direct and material effect on each of the District's major federal and New Jersey programs for the year ended June 30, 2017. Milford Borough School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal and New Jersey 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; and 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 OMB Circular 15-08. Those standards, the Uniform Guidance and 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 federal 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 federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Milford Borough School 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 Federal and New Jersey programs for the year ended June 30, 2017.

Report on Internal Control over Compliance


Management of the Milford Borough School 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 federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Milford Borough School 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 federal 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 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 program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 14, 2017
Flemington, New Jersey

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards - Schedule A
For the Fiscal Year Ended June 30, 2017

Grantor/Program Title	Federal		Project Number	Program or Award Amount	Grant Period		Balance 06/30/16	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment	Balance June 30, 2017		
	CFDA Number	FAIN Number			From	To						of Prior Year Balance	Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education passed through State Department of Education															
Special revenue fund															
Title II A	84.367A	S367A150029	NCLB-3180-17	\$ 2,597	07/01/16	06/30/17	\$ -	\$ -	\$ 3,806	\$ 3,806	\$ -	\$ -	\$ -	\$ -	\$ -
Title II A	84.367A	S367A150029	NCLB-3180-16	1,445	07/01/15	06/30/16	-	125	-	-	-	-	-	125	-
Title III	84.365A	S365A150030	NCLB-3180-16	473	07/01/15	06/30/16	29	-	-	-	-	-	-	29	-
Rural Education Achievement Program	84.358A	S358B150030	S358A-3056-15	17,177	07/01/15	09/30/16	(5,981)	-	8,579	2,598	-	-	-	-	-
Rural Education Achievement Program	84.358A	S358B150030	S358A-3056-16	17,140	07/01/16	09/30/17	-	-	12,870	17,140	-	-	(4,270)	-	-
IDEA basic	84.027	H027A150100	IDEA-3180-17	28,312	07/01/16	06/30/17	-	-	28,312	28,312	-	-	-	-	-
IDEA basic	84.027	H027A150100	IDEA-3180-16	28,929	07/01/15	06/30/16	(1,929)	-	1,929	-	-	-	-	-	-
IDEA preschool	84.173	H173S150114	IDEA-3180-17	1,423	07/01/16	06/30/17	-	-	1,434	1,434	-	-	-	-	-
Total special revenue fund							<u>(7,881)</u>	<u>125</u>	<u>56,930</u>	<u>53,290</u>	<u>-</u>	<u>-</u>	<u>(4,270)</u>	<u>154</u>	<u>-</u>
U.S. Department of Agriculture passed through State Department of Agriculture															
Enterprise fund															
Child nutrition center															
National School Lunch Program non-cash assistance (commodities)	10.555	16161NJ304N1099	N/A	1,711	07/01/15	06/30/16	321	-	-	321	-	-	-	-	-
National School Lunch Program non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	1,893	10/01/16	09/30/17	-	-	1,893	1,405	-	-	-	488	-
National School Lunch Program cash assistance	10.555	16161NJ304N1099	N/A	7,482	07/01/15	06/30/16	(302)	-	302	-	-	-	-	-	-
National School Lunch Program cash assistance	10.555	171NJ304N1099	N/A	7,020	10/01/16	09/30/17	-	-	6,718	7,020	-	-	(302)	-	-
Total enterprise fund							<u>19</u>	<u>-</u>	<u>8,913</u>	<u>8,746</u>	<u>-</u>	<u>-</u>	<u>(302)</u>	<u>488</u>	<u>-</u>
Total federal financial assistance							<u>\$ (7,862)</u>	<u>\$ 125</u>	<u>\$ 65,843</u>	<u>\$ 62,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,572)</u>	<u>\$ 642</u>	<u>\$ -</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B
For the Fiscal Year Ended June 30, 2017

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016		Cash Received	Budgetary Expenditure	Adjustments/ Repayments	Balance June 30, 2017			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General fund														
Equalization Aid	17-495-034-5120-078	\$ 202,744	07/01/16	06/30/17	\$ -	\$ -	\$ 182,578	\$ 202,744	\$ -	\$ -	\$ -	\$ -	\$ (20,166)	\$ 202,744
School Choice Aid	17-495-034-5120-068	66,906	07/01/16	06/30/17	-	-	60,251	66,906	-	-	-	-	(6,655)	66,906
Special Education Categorical Aid	17-495-034-5120-089	58,167	07/01/16	06/30/17	-	-	52,381	58,167	-	-	-	-	(5,786)	58,167
Security Aid	17-495-034-5120-084	1,915	07/01/16	06/30/17	-	-	1,725	1,915	-	-	-	-	(190)	1,915
Transportation Aid	17-495-034-5120-014	2,238	07/01/16	06/30/17	-	-	2,016	2,238	-	-	-	-	(222)	2,238
PARCC Readiness Aid	17-495-034-5120-098	910	07/01/16	06/30/17	-	-	819	910	-	-	-	-	(91)	910
Per Pupil Growth Aid	17-495-034-5120-097	910	07/01/16	06/30/17	-	-	819	910	-	-	-	-	(91)	910
Professional Learning Community Aid	17-495-034-5120-101	760	07/01/16	06/30/17	-	-	684	760	-	-	-	-	(76)	760
Extraordinary Aid	16-495-034-5120-014	21,508	07/01/16	06/30/17	-	-	-	21,508	-	(21,508)	-	-	-	21,508
Extraordinary Aid	15-495-034-5120-014	13,693	07/01/14	07/01/15	(13,693)	-	13,693	-	-	-	-	-	-	1,044
Non-Public Transportation Aid	17-495-034-5120-014	522	07/01/16	06/30/17	-	-	-	522	-	(522)	-	-	-	522
Non-Public Transportation Aid	15-495-034-5120-014	174	07/01/15	06/30/16	(174)	-	174	-	-	-	-	-	-	1,044
On behalf TPAF Pension Contribution - Teachers' Pension & Annuity Fund	17-495-034-5094-002	84,354	07/01/16	06/30/17	-	-	84,354	84,354	-	-	-	-	-	84,354
On behalf TPAF Pension Contribution - Non-Contribution Insurance	17-495-034-5094-004	3,056	07/01/16	06/30/17	-	-	3,056	3,056	-	-	-	-	-	3,056
On behalf TPAF Pension Contribution - Post Retirement Medical	17-495-034-5094-001	72,832	07/01/16	06/30/17	-	-	72,832	72,832	-	-	-	-	-	72,832
On behalf TPAF Pension Contribution - Long-Term Disability Insurance	17-495-034-5094-004	301	07/01/16	06/30/17	-	-	301	301	-	-	-	-	-	301
Reimbursed TPAF Social Security Contribution	17-495-034-5094-003	63,987	07/01/16	06/30/17	-	-	60,716	63,987	-	(3,271)	-	-	-	63,987
Reimbursed TPAF Social Security Contribution	16-495-034-5094-003	59,907	07/01/15	06/30/16	(312)	-	312	-	-	-	-	-	-	59,907
Total general fund					<u>(14,179)</u>	<u>-</u>	<u>536,711</u>	<u>581,110</u>	<u>-</u>	<u>(25,301)</u>	<u>-</u>	<u>-</u>	<u>(33,277)</u>	<u>643,105</u>
Capital projects fund														
NJ School Development Authority														
Renovate lower level toilet rooms	SDA3180-050-14-GISE	68,000	03/31/14	06/30/17	(33,660)	-	33,660	-	-	-	-	-	-	68,000
Renovate upper level toilet rooms	SDA3180-050-14-GISD	36,000	03/31/14	06/30/17	(17,820)	-	15,817	(2,003)	-	-	-	-	-	36,000
Total capital projects fund					<u>(51,480)</u>	<u>-</u>	<u>49,477</u>	<u>(2,003)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,000</u>
State Department of Agriculture														
Enterprise fund														
State School Lunch Program	16-100-010-3350-023	315	07/01/16	06/30/17	(13)	-	13	-	-	-	-	-	-	-
State School Lunch Program	17-100-010-3350-023	277	07/01/16	06/30/17	-	-	264	277	-	(13)	-	-	-	277
Total enterprise fund					<u>(13)</u>	<u>-</u>	<u>277</u>	<u>277</u>	<u>-</u>	<u>(13)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277</u>
Total State financial assistance					<u>\$ (65,672)</u>	<u>\$ -</u>	<u>\$ 586,465</u>	<u>579,384</u>	<u>\$ -</u>	<u>\$ (25,314)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (33,277)</u>	<u>\$ 747,382</u>
Less: On behalf TPAF Pension System contributions								<u>(160,543)</u>						
Total for State financial assistance - major program determination								<u>\$ 418,841</u>						

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2017

Note 1 - General

The accompanying Schedules of Financial Assistance present the activity of all Federal and State financial assistance programs of the Board of Education, Milford Borough School District. The Board of Education is defined in Note 1 (A) to the Board's financial statements. All federal financial assistance received directly from Federal agencies, as well as federal financial assistance passed through other government agencies, is included on the Schedule of Federal Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. This basis of accounting is described in Notes 1 (C) and 1 (D) to the Board's financial statements.

Note 3 - Relationship of financial statements

The financial statements present the General Fund and Special Revenue Fund on a GAAP basis. Budgetary comparison statements or schedules 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 State Aid payment in the current budget year, which is mandated pursuant to PL 2003, Ch. 97 (A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the State deferred and recording of the last State Aid payment in the subsequent year. The Special Revenue Fund is presented in the accompanying Schedules on the Grant Accounting Budgetary Basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$76 for the General Fund and \$0 for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds.

Financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ -	\$ 581,034	\$ 581,034
Special Revenue Fund	53,290	-	53,290
Food Service Fund	8,746	277	9,023
	\$ 62,036	\$ 581,311	\$ 643,347

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2017

Note 4 - 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 5 - Other
Revenues and expenditures reported under the USDA Commodities Program represent current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2017. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2017.

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

1. Were material weakness(es) identified? Yes No
2. Were significant deficiencies identified? Yes None reported

Noncompliance material to basic financial statements noted?

Yes No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified? Yes No
2. Were significant deficiencies identified? Yes None reported

What was the type of auditor's report issued on compliance for major programs?

Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)?

Yes No

Identification of Major Programs:

CFDA Number(s)	FEIN Number(s)	Name of Federal Program or Cluster
<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

What was the dollar threshold used to distinguish between Type A and Type B programs?

Did the auditee qualify as a low-risk auditee?

Yes No

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2017

Section I - Summary of Auditor's Results (continued)

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Did the auditee qualify as a low-risk auditee? X Yes ___ No

Internal Control Over Major Programs:

- 1. Were material weakness(es) identified? ___ Yes X No
- 2. Were there significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None reported

What was the type of auditor's report issued on compliance for major programs? Unmodified

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08 as applicable? ___ Yes X No

Identification of Major Programs:

State Grant/Project Numbers	Name of State Program
<i>17-495-034-5120-089</i>	<i>State Aid Public Cluster:</i>
<i>17-495-034-5120-078</i>	<i>Special Education Categorical Aid</i>
<i>17-495-034-5120-084</i>	<i>Equalization Aid</i>
<i>17-495-034-5120-068</i>	<i>Security Aid</i>
<i>17-495-034-5120-097</i>	<i>School Choice Aid</i>
<i>17-495-034-5120-098</i>	<i>Per Pupil Growth Aid</i>
<i>17-495-034-5120-101</i>	<i>PARCC Readiness Aid</i>
	<i>Professional Learning Community Aid</i>

**MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Cost - Section II and III
For the Fiscal Year Ended June 30, 2017**

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2017.

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

There were no findings or questioned costs for the year ended June 30, 2017.

**MILFORD BOROUGH SCHOOL DISTRICT
Summary Schedule of Prior - Year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2017**

Status of Prior Year Findings

There were no prior year findings or questioned costs.