

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

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017**

**Comprehensive Annual
Financial Report**

of the

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

Mount Arlington, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

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

Finance Department

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
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INTRODUCTORY SECTION

Mount Arlington Public Schools

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

Monica A. Rowland.
Superintendent of Schools

Tonya M. Flowers
Business Administrator/Board Secretary

October 30, 2017

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

Dear Board Members:

The comprehensive annual financial report of the Borough of Mount Arlington School District (the "District") for the fiscal year ended June 30, 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 Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8 (The approximately 150 Mount Arlington students in grades 9-12 are sent to the Roxbury Public School District and are properly included in their enrollment numbers. The Mount Arlington Public School District is responsible for paying tuition, transportation and special education costs for these students, and these costs are included in the District's financial statements). The District completed the 2016-2017 fiscal year with an average daily enrollment of 352 students, which is 6 students above the previous year's average daily enrollment.

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

3) MAJOR INITIATIVES: During the 2016/2017 school year, the District completed the second phase of the structural renovations at the Mount Arlington Public School. Five classrooms (room numbers 17, 18, 19, 23 and 24) had new ceilings and light fixtures installed. Additionally, at both MAPS and Decker Schools, the fire alarm system was upgraded, dozens of security cameras and door access card readers and systems were installed.

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

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

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

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

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

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

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

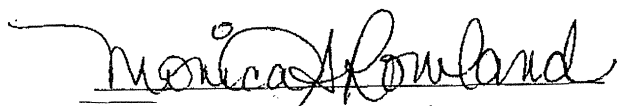
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Insurance coverage was carried in the amounts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

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

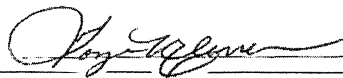
9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes,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

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

Respectfully submitted,

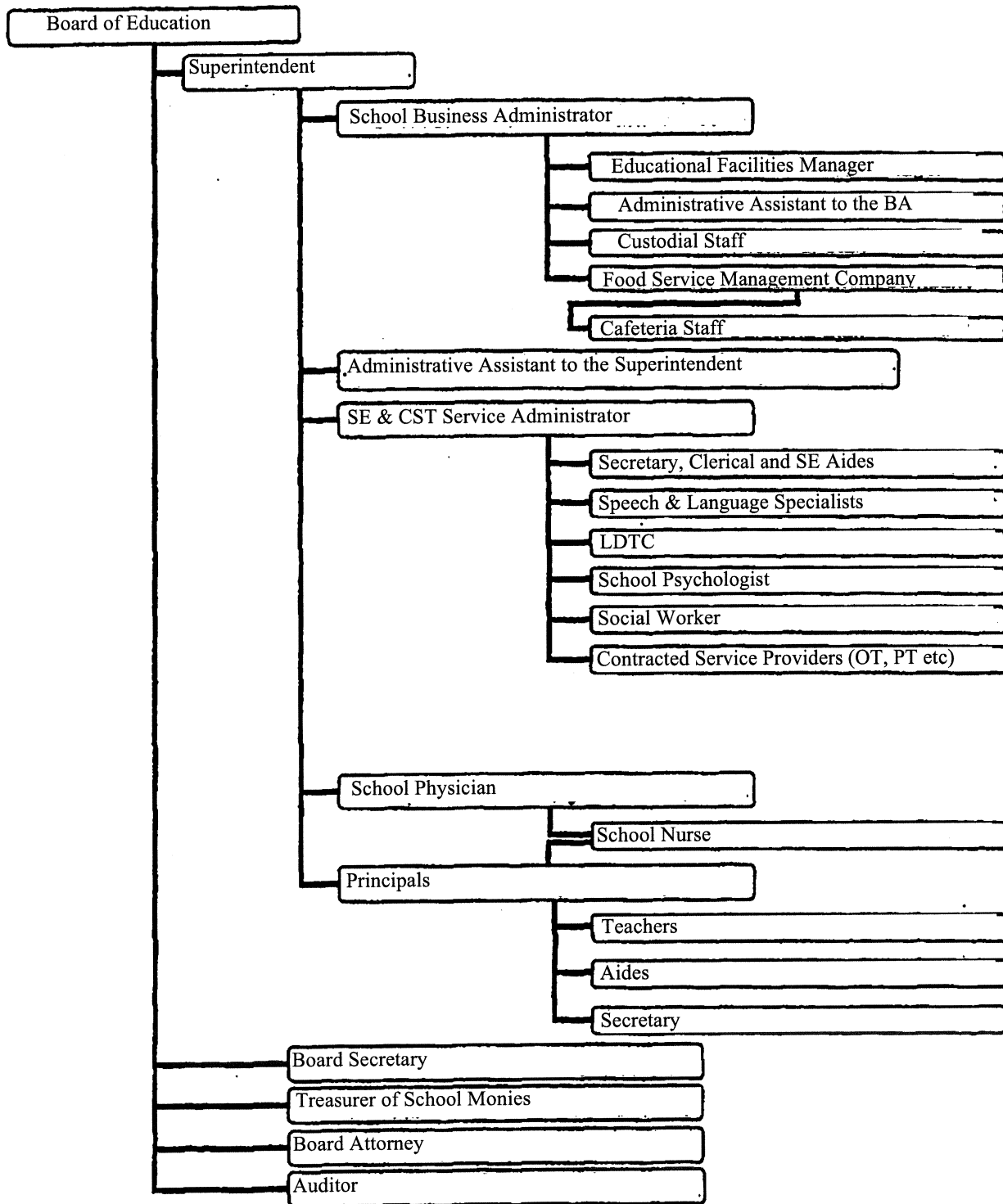


Monica A. Rowland
Superintendent of Schools



Tonya M. Flowers
Business Administrator/Board Secretary

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
 ORGANIZATION CHART
 JUNE 30, 2017



**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2017**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Sheila Studint	President	2018
John Longtine	Vice President	2017
Rachel Byrne		2017
Elizabeth Cangiano		2019
John Albert Decena		2018
Karl Svenningsen		2017
Albert Roldan		2019

<u>Other Officials</u>	<u>Title</u>
Jane Mullins Jameson	Superintendent of Schools (7/1/16 - 9/30/16)
Dr. Bernard A. Josefsberg	Interim Superintendent of Schools (10/1/16 - 6/30/17)
Tonya M. Flowers	School Business Administrator/Board Secretary
Michael Donow	Treasurer of School Money (From 4/1/17)

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

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

Attorney

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

Bond Counsel

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

Official Depositories

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

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Mount Arlington School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Mount Arlington School District in the County of Morris, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical section are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 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.

Mount Arlington, New Jersey
October 30, 2017

NISIVOCCIA LLP



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

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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

This section of Borough of Mount Arlington School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's net position status increased by \$598,155 on a district-wide basis.
- Overall revenue was \$13.7 million.
- Overall expenses were \$13.1 million.
- Enrollment in the District has increased during the current year resulting in a slight increase in cost per pupil during the current year.

Overview of the Financial Statements

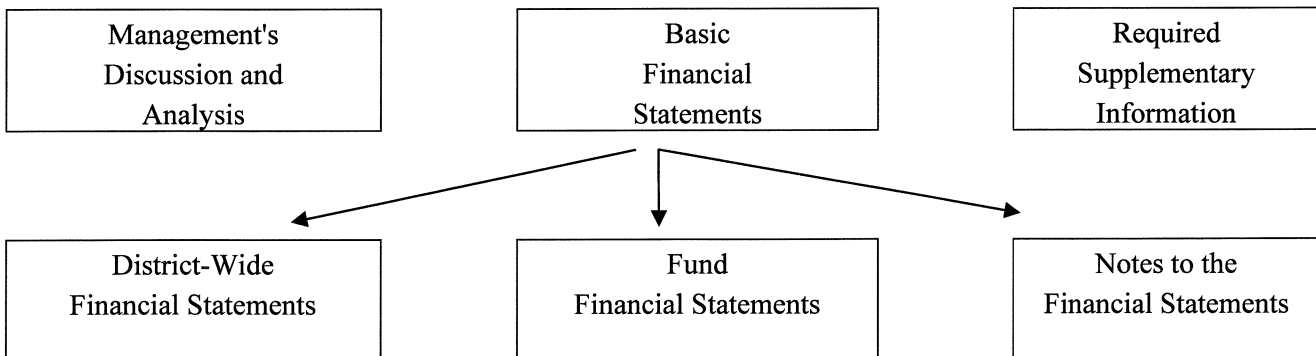
This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

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

Figure A-1

Organization of Borough of Mount Arlington School District's Financial Report



**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

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

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

District-wide Statements

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

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

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

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Fund Financial Statements

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

Notes to the Basic Financial Statements

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by 11.00%. Net position from governmental activities increased \$612,530 and net position from business-type activities decreased by \$14,375. Net investment in capital assets increased \$267,802, restricted net position increased \$252,706, and unrestricted net position increased \$77,647.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017
Current and Other Assets	\$ 3,753,059	\$ 3,514,208	\$ 65,800	\$ 60,219	\$ 3,818,859	\$ 3,574,427	6.84%
Capital Assets, Net	6,115,389	5,989,984	10,781	13,384	6,126,170	6,003,368	2.05%
Total Assets	<u>9,868,448</u>	<u>9,504,192</u>	<u>76,581</u>	<u>73,603</u>	<u>9,945,029</u>	<u>9,577,795</u>	3.83%
Deferred Outflows of Resources	<u>986,640</u>	<u>685,135</u>			<u>986,640</u>	<u>685,135</u>	44.01%
Other Liabilities	197,663	390,058	39,035	21,682	236,698	411,740	-42.51%
Long-Term Liabilities	4,451,480	4,379,805			4,451,480	4,379,805	1.64%
Total Liabilities	<u>4,649,143</u>	<u>4,769,863</u>	<u>39,035</u>	<u>21,682</u>	<u>4,688,178</u>	<u>4,791,545</u>	-2.16%
Deferred Inflows of Resources	<u>207,818</u>	<u>33,867</u>			<u>207,818</u>	<u>33,867</u>	513.63%
Net Position:							
Net Investment in Capital Assets	4,070,389	3,799,984	10,781	13,384	4,081,170	3,813,368	7.02%
Restricted	2,557,873	2,305,167			2,557,873	2,305,167	10.96%
Unrestricted/(Deficit)	<u>(630,135)</u>	<u>(719,554)</u>	<u>26,765</u>	<u>38,537</u>	<u>(603,370)</u>	<u>(681,017)</u>	11.40%
Total Net Position	<u>\$ 5,998,127</u>	<u>\$ 5,385,597</u>	<u>\$ 37,546</u>	<u>\$ 51,921</u>	<u>\$ 6,035,673</u>	<u>\$ 5,437,518</u>	11.00%

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Changes in Net Position. The District's combined net position was \$6,035,673 on June 30, 2017, \$598,155 or 11.00% more than the prior year (See Figure A-3). Net investment in capital assets increased \$267,802 due to the payment of \$145,000 in bond principal, capital asset additions of \$419,475 offset by \$296,673 in depreciation. Restricted net position increased by \$252,706 due to increases in Capital Reserve of \$151,280, the creation of a Tuition Reserve of \$50,000 and an increase of \$51,426 in Excess Surplus. Unrestricted net position increased \$77,647 primarily due to an increase in net pension liability of \$295,044, offset by an increase in reserve for encumbrances of \$265,991, a net decrease in compensated absences of \$78,369 and a decrease of \$14,375 in business-type activities. (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017
Revenue:							
Program Revenue:							
Charges for Services			\$ 98,441	\$ 93,790	\$ 98,441	\$ 93,790	4.96%
Grants and Contributions:							
Operating	\$ 3,242,679	\$ 2,537,058	56,457	49,709	3,299,136	2,586,767	27.54%
Capital		176,672				176,672	-100.00%
General Revenue:							
Property Taxes	10,165,744	9,976,777			10,165,744	9,976,777	1.89%
Federal and State Aid Not							
Restricted	64,155	59,947			64,155	59,947	7.02%
Other	37,925	36,364	79	43	38,004	36,407	4.39%
Total Revenue	13,510,503	12,786,818	154,977	143,542	13,665,480	12,930,360	5.69%
Expenses:							
Instruction	5,915,759	5,092,611			5,915,759	5,092,611	16.16%
Pupil and Instruction Services	4,514,164	4,622,398			4,514,164	4,622,398	-2.34%
Administrative Services	749,656	834,014			749,656	834,014	-10.11%
Maintenance and Operations	858,359	715,012			858,359	715,012	20.05%
Transportation	490,019	470,149			490,019	470,149	4.23%
Other	370,016	331,734	169,352	144,867	539,368	476,601	13.17%
Total Expenses	12,897,973	12,065,918	169,352	144,867	13,067,325	12,210,785	7.01%
Increase/(Decrease) in Net Position	\$ 612,530	\$ 720,900	\$ (14,375)	\$ (1,325)	\$ 598,155	\$ 719,575	-16.87%

Revenue Sources. The District's total revenue for the 2016/2017 school year was \$13,665,480 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$10,165,744 of the total, or 74.39 percent (See Figure A-5). Another 24.62 percent came from state and federal aid for specific programs and contributions and 0.99 percent came from other miscellaneous sources. The Borough of Mount Arlington School District primarily conducts its operations from the revenue it receives from its local taxpayers.

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

**Figure A-5
Sources of Revenue for Fiscal Year 2017**

	Amount	Percentage
Federal and State Categorical Grants	\$ 2,567,193	18.79%
Property Taxes	10,165,744	74.39%
State Formula Aid	796,098	5.83%
Charges for Services	98,441	0.72%
Other	38,004	0.27%
	<u>\$ 13,665,480</u>	<u>100.00%</u>

The total cost of all programs and services was \$13,067,325. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (83.57 percent) (See Figure A-6). The District's administrative and business activities accounted for 5.74 percent of total costs. It is important to note that depreciation of \$294,070 is included in expenses for the year.

**Figure A-6
Expenses for Fiscal Year 2017**

Expense Category:	Amount	Percentage
Instruction	\$ 5,915,759	45.27%
Pupil and Instruction Services	4,514,164	34.55%
Administrative and Business	749,656	5.74%
Maintenance and Operations	858,359	6.57%
Transportation	490,019	3.75%
Other	539,368	4.12%
	<u>\$ 13,067,325</u>	<u>100.00%</u>

Governmental Activities

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

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

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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

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

	Total Cost of Services		Net Cost of Services	
	2016/2017	2015/2016	2016/2017	2015/2016
Instruction	\$ 5,915,759	\$ 5,092,611	\$ 3,025,321	\$ 2,913,060
Pupil and Instruction Services	4,514,164	4,622,398	4,385,998	4,485,619
Administrative and Business	749,656	834,014	668,226	754,315
Maintenance and Operations	858,359	715,012	858,359	538,340
Transportation	490,019	470,149	347,374	329,120
Other	370,016	331,734	370,016	331,734
	<u>\$ 12,897,973</u>	<u>\$ 12,065,918</u>	<u>\$ 9,655,294</u>	<u>\$ 9,352,188</u>

- The cost of all governmental activities this year was \$12.90 million.
- The federal and state governments subsidized certain programs with grants and contributions (\$3.36 million).
- Most of the District's costs, however, were financed by District taxpayers (\$10.17 million).
- The remainder of governmental activities funding came from private contributions, investment earnings and miscellaneous revenue.

Business-Type Activities

Net position from the District's business-type activities decreased by \$14,375 primarily due to an increase in food service expenses. (Refer to Figure A-4).

Financial Analysis of the District's Funds

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

General Fund Budgetary Highlights

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

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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

Capital Assets

Figure A-8

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	
Sites (Land)	\$ 611,500	\$ 611,500			\$ 611,500	\$ 611,500	0.00%
Site Improvements	247,372	265,197			247,372	265,197	-6.72%
Buildings and Building Improvements	5,053,669	4,883,031			5,053,669	4,883,031	3.49%
Machinery and Equipment	202,848	230,256	\$ 10,781	\$ 13,384	213,629	243,640	-12.32%
Total Capital Assets (Net of Depreciation)	\$ 6,115,389	\$ 5,989,984	\$ 10,781	\$ 13,384	\$ 6,126,170	\$ 6,003,368	2.05%

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

Figure A-9

Outstanding Long-Term Liabilities

	Total School District		Total Percentage Change 2016/2017
	2016/2017	2015/2016	
General Obligation Bonds (Financed with Property Taxes)	\$ 2,045,000	\$ 2,190,000	-6.62%
Net Pension Liability	2,401,480	2,106,436	14.01%
Compensated Absences Payable	5,000	83,369	-94.00%
	\$ 4,451,480	\$ 4,379,805	1.64%

- The District's compensated absences payable decreased \$78,369.
- The District's net pension liability grew 14.01% or \$295,044.
- At year-end, the District had \$2,045,000 in general obligation bonds – a reduction of \$145,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)**

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

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

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

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

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 446 Howard Boulevard, Mount Arlington, New Jersey 07856.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,685,724	\$ 44,004	\$ 1,729,728
Internal Balances	(15,109)	15,109	
Receivables from Federal Government	121,764	3,885	125,649
Receivables from State Government	264,165	127	264,292
Interfund Receivable	99,525		99,525
Inventory		2,675	2,675
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,496,990		1,496,990
Maintenance Reserve - Cash and Cash Equivalents	50,000		50,000
Tuition Reserve - Cash and Cash Equivalents	50,000		50,000
Capital Assets, Net:			
Sites (Land)	611,500		611,500
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	5,503,889	10,781	5,514,670
Total Assets	<u>9,868,448</u>	<u>76,581</u>	<u>9,945,029</u>
DEFERRED OUTFLOWS OF RESOURCES			
Changes in Assumptions - Pensions	497,458		497,458
Changes in Proportions - Pensions	262,951		262,951
Difference between Expected and Actual Experience - Pensions	44,660		44,660
Net Difference between Projected and Actual Investment			
Earnings - Pensions	91,571		91,571
District Contributions Subsequent to the Measurement Date - Pensions	90,000		90,000
Total Deferred Outflows of Resources	<u>986,640</u>		<u>986,640</u>
LIABILITIES			
Accrued Interest Payable	37,492		37,492
Accounts Payable	146,219	37,170	183,389
Unearned Revenue	13,952	1,865	15,817
Noncurrent Liabilities:			
Due Within One Year	150,000		150,000
Due Beyond One Year	4,301,480		4,301,480
Total Liabilities	<u>4,649,143</u>	<u>39,035</u>	<u>4,688,178</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
DEFERRED INFLOWS OF RESOURCES			
Changes in Proportions - Pensions	\$ 207,818		\$ 207,818
Total Deferred Inflows of Resources	207,818		207,818
 NET POSITION			
Net Investment in Capital Assets	4,070,389	\$ 10,781	4,081,170
Restricted for:			
Capital Projects	1,496,990		1,496,990
Maintenance Reserve	50,000		50,000
Tuition Reserve	50,000		50,000
Excess Surplus	960,882		960,882
Debt Service	1		1
Unrestricted/(Deficit)	(630,135)	26,765	(603,370)
Total Net Position	\$ 5,998,127	\$ 37,546	\$ 6,035,673

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 4,505,342		\$ 1,795,382		\$ (2,709,960)		\$ (2,709,960)
Special Education	1,189,732		1,008,259		(181,473)		(181,473)
Other Special Instruction	89,471		35,134		(54,337)		(54,337)
School Sponsored Instruction	131,214		51,663		(79,551)		(79,551)
Support services:							
Tuition	3,255,458		104,654		(3,150,804)		(3,150,804)
Student & Instruction Related Services	1,258,706		23,512		(1,235,194)		(1,235,194)
General Administrative Services	357,010				(357,010)		(357,010)
School Administrative Services	182,029		81,430		(100,599)		(100,599)
Central Services	210,617				(210,617)		(210,617)
Plant Operations and Maintenance	858,359				(858,359)		(858,359)
Pupil Transportation	490,019		142,645		(347,374)		(347,374)
Unallocated Depreciation	241,797				(241,797)		(241,797)
Capital Outlay	230				(230)		(230)
Interest on Long-Term Debt	85,217				(85,217)		(85,217)
Charter Schools	42,772				(42,772)		(42,772)
Total Governmental Activities	12,897,973		3,242,679		(9,655,294)		(9,655,294)
Business-Type Activities:							
Food Service	169,352	\$ 98,441	56,457			\$ (14,454)	(14,454)
Total Business-Type Activities	169,352	98,441	56,457			(14,454)	(14,454)
Total Primary Government	\$ 13,067,325	\$ 98,441	\$ 3,299,136	\$ -0-	(9,655,294)	(14,454)	(9,669,748)

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Net (Expenses)/Revenues and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 9,933,144		\$ 9,933,144
Taxes Levied for Debt Service	232,600		232,600
Federal and State Aid Not Restricted	64,155		64,155
Investment Earnings	2,402	\$ 79	2,481
Miscellaneous Income	35,523		35,523
Total General Revenues	10,267,824	79	10,267,903
Change in Net Position	612,530	(14,375)	598,155
Net Position - Beginning	5,385,597	51,921	5,437,518
Net Position - Ending	\$ 5,998,127	\$ 37,546	\$ 6,035,673

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

FUND FINANCIAL STATEMENTS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,628,617		\$ 57,106	\$ 1	\$ 1,685,724
Interfund Receivable	264,443				264,443
Receivables from Federal Government		\$ 121,764			121,764
Receivables from State Government	264,165				264,165
Restricted Cash and Cash Equivalents	1,596,990				1,596,990
Total Assets	\$ 3,754,215	\$ 121,764	\$ 57,106	\$ 1	\$ 3,933,086
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable	\$ 15,109	\$ 107,812	\$ 57,106		\$ 180,027
Accounts Payable - Vendors	56,219				56,219
Unearned Revenue		13,952			13,952
Total Liabilities	71,328	121,764	57,106		250,198
Fund Balances:					
Restricted:					
Capital Reserve Account	1,496,990				1,496,990
Maintenance Reserve	50,000				50,000
Tuition Reserve	50,000				50,000
Excess Surplus - For Subsequent Year's Expenditures	555,755				555,755
Excess Surplus	405,127				405,127
Debt Service Fund				\$ 1	1
Assigned:					
Year End Encumbrances	624,452				624,452
For Subsequent Year's Expenditures	131,399				131,399
Unassigned	369,164				369,164
Total Fund Balances	3,682,887			1	3,682,888
Total Liabilities and Fund Balances	\$ 3,754,215	\$ 121,764	\$ 57,106	\$ 1	

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

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The cost of the assets is \$10,368,681 and the accumulated depreciation is \$4,253,292. 6,115,389

Interest on long term debt is not accrued in government funds, but rather is recognized as expenditure when due. (37,492)

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

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

Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore is not reported as a liability in the Funds.	\$ (2,050,000)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(2,401,480)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Deferred Outflows:	
Changes in Assumptions - Pensions	497,458
Changes in Proportions - Pensions	262,951
Difference between Expected and Actual Experience - Pensions	44,660
Net Difference between Projected and Actual Investment Earnings - Pensions	91,571
Deferred Inflows:	
Changes in Proportions - Pensions	(207,818)
Net Position of Governmental Activities	\$ 5,998,127

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
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	\$ 9,933,144			\$ 232,600	\$ 10,165,744
Interest Earned on Capital Reserve Funds	2,402				2,402
Miscellaneous	35,523	\$ 4,977			40,500
Total - Local Sources	9,971,069	4,977		232,600	10,208,646
State Sources	1,645,719				1,645,719
Federal Sources		160,676			160,676
Total Revenues	11,616,788	165,653		232,600	12,015,041
EXPENDITURES					
Current:					
Regular Instruction	2,110,871	37,487			2,148,358
Special Education Instruction	610,295				610,295
Other Instruction	43,211				43,211
School Sponsored Instruction	63,191				63,191
Support Services and Undistributed Costs:					
Tuition	3,150,804	104,654			3,255,458
Student & Instruction Related Services	960,069	23,512			983,581
General Administrative Services	297,104				297,104
School Administrative Services	136,061				136,061
Central Services	165,980				165,980
Plant Operations and Maintenance	756,645				756,645

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Current:					
Pupil Transportation	\$ 490,019				\$ 490,019
Unallocated Benefits	1,923,232				1,923,232
Transfer to Charter Schools	42,772				42,772
Capital Outlay	419,705				419,705
Debt Service:					
Principal				\$ 145,000	145,000
Interest and Other Charges				87,600	87,600
Total Expenditures	11,169,959	\$ 165,653		232,600	11,568,212
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	446,829				446,829
OTHER FINANCING SOURCES/(USES)					
Transfers In	57,106		\$ (57,106)		57,106
Transfers Out					(57,106)
Total Other Financing Sources/(Uses)	57,106		(57,106)		
Net Change in Fund Balances	503,935		(57,106)		446,829
Fund Balance - July 1	3,178,952		57,106	1	3,236,059
Fund Balance - June 30	\$ 3,682,887	\$ -0-	\$ -0-	\$ 1	\$ 3,682,888

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$ 446,829
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differs from capital outlays in the period.	\$ (294,070)
	419,475
	125,405

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

78,369

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

2,383

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

145,000

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Changes in Net Pension Liability	\$ (295,044)
Deferred Outflows:	
Changes in Assumptions	271,244
Changes in Proportions	(73,684)
Difference between Expected and Actual Experience	(5,592)
Net Difference between projected and actual investment earnings on Pension Plan Investments	125,438
Deferred Inflows:	
Changes in Proportions	<u>(207,818)</u>
	<u>\$ (185,456)</u>
Change in Net Position of Governmental Activities (A-2)	<u><u>\$ 612,530</u></u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 44,004
Intergovernmental Receivable:	
Federal	3,885
State	127
Interfund Receivable	15,109
Inventory	<u>2,675</u>
Total Current Assets	<u>65,800</u>
Non-Current Assets:	
Capital Assets	108,180
Less: Accumulated Depreciation	<u>(97,399)</u>
Total Non-Current Assets	<u>10,781</u>
Total Assets	<u>76,581</u>
LIABILITIES:	
Accounts Payable	37,170
Unearned Revenue - Prepaid Sales	890
Unearned Revenue - Donated Commodities	<u>975</u>
Total Liabilities	<u>39,035</u>
NET POSITION:	
Investment in Capital Assets	10,781
Unrestricted	<u>26,765</u>
Total Net Position	<u>\$ 37,546</u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 71,092
Daily Sales - Nonreimbursable Programs	27,349
Total Operating Revenue	<u>98,441</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	75,065
Cost of Sales - Nonreimbursable Programs	18,620
Salaries, Benefits & Payroll Taxes	61,910
Supplies, Insurance & Other Costs	3,254
Management Fee	7,900
Depreciation Expense	2,603
Total Operating Expenses	<u>169,352</u>
Operating Loss	<u>(70,911)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	38,143
School Breakfast Program	6,088
Food Distribution Program	10,784
State Sources:	
State School Lunch Program	1,442
Local Sources:	
Interest Income	79
Total Non-Operating Revenue	<u>56,536</u>
Change in Net Position	(14,375)
Net Position - Beginning of Year	<u>51,921</u>
Net Position - End of Year	<u>\$ 37,546</u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 120,647
Payments to Food Service Vendor	(139,329)
Net Cash (Used for) Operating Activities	(18,682)
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	43,828
Net Cash Provided by Noncapital Financing Activities	43,828
Cash Flows from Investing Activities:	
Interest on Investments	79
Net Cash Provided by Investing Activities	79
Net Increase in Cash and Cash Equivalents	25,225
Cash and Cash Equivalents, July 1	18,779
Cash and Cash Equivalents, June 30	\$ 44,004
Reconciliation of Operating Loss to	
Net Cash (Used for) Operating Activities:	
Operating Loss	\$ (70,911)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	2,603
Food Distribution Program	10,784
Changes in Assets and Liabilities:	
Decrease in Interfund Receivable	22,206
(Increase) in Inventory	(717)
Increase in Accounts Payable	16,548
Increase in Unearned Revenue - Prepaid Sales	383
Increase in Unearned Revenue - Donated Commodities	422
Net Cash (Used for) Operating Activities	\$ (18,682)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$11,206 and utilized U.S.D.A. Commodities valued at \$10,784.

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2017

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 196,225	\$ 4,801	\$ 337
Interfund Receivable		12,658	13,213
Total Assets	<u>196,225</u>	<u>17,459</u>	<u>13,550</u>
LIABILITIES:			
Payroll Deductions and Withholdings	40,843		
Net Salaries and Wages	6,939		
Interfund Payable	125,396		
Due to Student Groups	<u>23,047</u>		
Total Liabilities	<u>196,225</u>		
NET POSITION:			
Held in Trust for Unemployment Claims			13,550
Held in Trust for Flexible Spending Claims		<u>17,459</u>	
Total Net Position	<u>\$ -0-</u>	<u>\$ 17,459</u>	<u>\$ 13,550</u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
ADDITIONS:		
Contributions:		
Employee Deductions	\$ 6,358	\$ 12,250
Miscellaneous	13,175	
Total Contributions	<u>19,533</u>	<u>12,250</u>
Investment Earnings	<u>6</u>	<u>1</u>
Total Additions	<u>19,539</u>	<u>12,251</u>
DEDUCTIONS:		
Unemployment Claims and Contributions		5,085
Flexible Spending Claims	<u>4,275</u>	
Total Deductions	<u>4,275</u>	<u>5,085</u>
Change in Net Position	15,264	7,166
Net Position - Beginning of the Year	<u>2,195</u>	<u>6,384</u>
Net Position - End of the Year	<u>\$ 17,459</u>	<u>\$ 13,550</u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following governmental funds: (Cont'd)

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,620,954	\$ 166,204
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not.		(551)
Current Year State Aid Payments Recognized for Budgetary Purposes , not Recognized for GAAP Statements	(54,618)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	<u>50,452</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 11,616,788</u>	<u>\$ 165,653</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,169,959	\$ 166,204
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not		<u>(551)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 11,169,959</u>	<u>\$ 165,653</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

E. Cash and Cash Equivalents and Investments:

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

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

K. Capital Assets:

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

K. Capital Assets: (Cont'd)

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

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District allows employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, however accrued salaries and wages as of June 30, 2017 was \$-0-.

N. Compensated Absences:

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

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

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$3,682,887 General Fund fund balance at June 30, 2017, \$624,452 is assigned for encumbrances; \$1,496,990 is restricted in the capital reserve account; \$50,000 has been restricted in the maintenance reserve account; \$50,000 has been restricted in the tuition reserve account; \$555,755 is restricted as prior year excess surplus in accordance with N.J.S.A. 18A:7F (S1701) and has been appropriated and included as anticipated revenue for the year ending June 30, 2018, \$405,127, is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the year ending June 30, 2019; \$131,399 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2018; and \$369,164 is unassigned fund balance, which is \$54,618 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2018.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2017 is \$1.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school Districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as defined above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$54,618, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record this state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the last two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Q. Deficit Net Position:

The District has a deficit in unrestricted net position of \$630,135 in governmental activities, which is primarily a result of \$37,492 of accrued interest payable, \$5,000 of compensated absences payable, net pension liability of \$2,401,480, changes in proportions in pension of \$207,818 net of \$131,399 of fund balance designated for subsequent years' expenditures, \$624,452 assigned for encumbrances, \$423,782 unassigned general fund balance, \$497,458 change in assumption for pensions, \$262,951 change in proportion for pensions and \$44,660 difference between expected and actual experience for pensions and \$91,571 net difference between projected and actual investment earnings in pensions.

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

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2017 for the changes in assumptions, changes in proportion in pensions, difference between expected and actual experience on pensions, the net difference between projected and actual investment earnings on pension plan investments and the district contribution subsequent to the measurement date for pensions.

The District had a deferred inflow of resources at June 30, 2017 for the changes in proportion in pensions.

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

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2017.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

U. Management Estimates:

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

V. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

Investments: Cont'd)

- (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

During the period ended June 30, 2017, the District did not hold any investments.

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>			<u>Total</u>
		<u>Capital Reserve</u>	<u>Tuition Reserve</u>	<u>Maintenance Reserve</u>	
Checking and Savings Accounts	<u>\$ 1,931,091</u>	<u>\$ 1,496,990</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$3,528,081</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$3,528,081 and the bank balance was \$4,210,981.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Beginning Balance, July 1, 2016			\$ 1,345,710
Interest Earned	\$	2,402	
Transferred from Capital Projects Fund		57,106	
Transferred by Board Resolution June 20, 2017		700,925	
		<u>760,433</u>	<u>2,106,143</u>
Withdrawn by Board Resolution:			
Capital Outlay:			
Structure Project - June 20, 2017		(190,762)	
Security Upgrades - June 20, 2017		(134,065)	
Fire Alarm Upgrades - June 20, 2017		(239,881)	
Window Replacement - June 20, 2017		<u>(44,445)</u>	
			<u>(609,153)</u>
Ending Balance, June 30, 2017			<u><u>\$ 1,496,990</u></u>

The June 30, 2017 LRFP balance of local support costs of uncompleted capital projects exceeds the June 30, 2017 capital reserve account balance. The withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 611,500			\$ 611,500
Total Capital Assets Not Being Depreciated	<u>611,500</u>			<u>611,500</u>
Capital Assets Being Depreciated:				
Site Improvements	434,578			434,578
Buildings and Building Improvements	8,006,635	\$ 393,357		8,399,992
Machinery and Equipment	896,493	26,118		922,611
Total Capital Assets Being Depreciated	<u>9,337,706</u>	<u>419,475</u>		<u>9,757,181</u>
Governmental Activities Capital Assets	<u>9,949,206</u>	<u>419,475</u>		<u>10,368,681</u>
Less Accumulated Depreciation for:				
Site Improvements	(169,381)	(17,825)		(187,206)
Buildings and Building Improvements	(3,123,604)	(222,719)		(3,346,323)
Machinery and Equipment	(666,237)	(53,526)		(719,763)
	<u>(3,959,222)</u>	<u>(294,070)</u>		<u>(4,253,292)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,989,984</u>	<u>\$ 125,405</u>	<u>\$ -0-</u>	<u>\$ 6,115,389</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 108,180			\$ 108,180
Less Accumulated Depreciation	(94,796)	\$ (2,603)		(97,399)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 13,384</u>	<u>\$ (2,603)</u>	<u>\$ -0-</u>	<u>\$ 10,781</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 42,385
General Administrative Services	4,904
Plant Operations and Maintenance	4,984
Unallocated	241,797
	\$ 294,070

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2017, the District transferred \$612,315 to capital outlay accounts which required approval of the County Superintendent.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2016	Accrued	Retired	Balance 6/30/2017
Serial Bonds Payable	\$ 2,190,000		\$ 145,000	\$ 2,045,000
Net Pension Liability	2,106,436	\$ 295,044		2,401,480
Compensated Absences Payable	83,369		78,369	5,000
	\$ 4,379,805	\$ 295,044	\$ 223,369	\$ 4,451,480

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The current portion of bonds at June 30, 2017 is \$150,000 and the long-term portion is \$1,895,000. The Debt Service Fund will be used to liquidate bonds payable.

The District had bonds outstanding as of June 30, 2017 as follows:

Purpose	Final Maturity	Interest Rate	Amount
Refunding Bonds	1/15/2028	4.00%	\$ 2,045,000

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

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

A. Bonds Payable: (Cont'd)

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 150,000	\$ 81,800	\$ 231,800
2018	160,000	75,800	235,800
2019	165,000	69,400	234,400
2020	170,000	62,800	232,800
2021	180,000	56,000	236,000
Thereafter:			
2021-2025	1,000,000	167,200	1,167,200
2026-2028	220,000	8,800	228,800
	<u>\$ 2,045,000</u>	<u>\$ 521,800</u>	<u>\$ 2,566,800</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2017, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District did not have any Capital Leases Payable as of June 30, 2017.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$5,000. There is no current portion of compensated absences payable.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the Enterprise Fund.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2017 is \$-0- and the long-term portion is \$2,401,480. See Note 9 for further information on the PERS.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 8. MAINTENANCE RESERVE ACCOUNT

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

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget. The activity of the maintenance reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	<u>\$ 50,000</u>
Ending Balance, June 30, 2017	<u><u>\$ 50,000</u></u>

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Public Employee's Retirement System (PERS) of New Jersey; the Teachers' Pension and Annuity Fund (TPAF) or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$72,606 for fiscal year 2017.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2017, the District reported a liability of \$2,401,480 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.0094%, which was a decrease of 0.0013% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$257,483. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Year of</u> <u>Deferral</u>	<u>Amortization</u> <u>Period</u> <u>in Years</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes in Assumptions	2014	6.44	\$ 30,187	
	2015	5.72	123,351	
	2016	5.57	343,920	
			<u>497,458</u>	
Difference Between Expected and Actual Experience	2015	5.72	34,224	
	2016	5.57	10,436	
			<u>44,660</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(45,236)	
	2015	5.00	28,942	
	2016	5.00	107,865	
			<u>91,571</u>	
Changes in Proportion	2014	6.44	136,978	
	2015	5.72	125,973	
	2016	5.57		\$ 207,818
			<u>262,951</u>	<u>207,818</u>
District Contribution Subsequent to the Measurement Date	2016	1.00	90,000	
			<u>\$ 986,640</u>	<u>\$ 207,818</u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Fiscal Year Ending June 30,	Total
2017	\$ 142,669
2018	142,668
2019	165,287
2020	138,865
2021	44,200
	\$ 633,689

Actuarial Assumptions

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

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables 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. Post-retirement 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 one year for females).

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block 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' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad 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%

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 upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate (Cont'd)

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 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	At 1% Decrease (2.98%)	At Current Discount Rate (3.98%)	At 1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 2,942,733	\$ 2,401,480	\$ 1,954,628

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

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

Contributions

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

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

This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2017, the State of New Jersey contributed \$331,278 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,826,740.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2017, the State's proportionate share of the net pension liability associated with the District was \$24,312,415. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.0309%, which was an increase of 0.0005% from its proportion measured as of June 30, 2015.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		24,312,415
Total	\$	24,312,415

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$1,826,740 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,691,524,165	
	2015	8.3	4,488,602,746	
	2016	8.3	9,522,623,964	
			15,702,750,875	
Difference Between Expected and Actual Experience	2014	8.5		\$ 16,110,615
	2015	8.3	277,221,464	
	2016	8.3		118,421,979
			277,221,464	134,532,594
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(870,618,286)	
	2015	5	577,926,182	
	2016	5	1,727,420,767	
			1,434,728,663	
		\$17,414,701,002	\$134,532,594	

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

Actuarial Assumptions

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

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%
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 Equities	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 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 upon the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on pension 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.

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

The following presents the State's proportionate share of net pension liability associated with the District as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	At 1% Decrease (2.22%)	At Current Discount Rate (3.22%)	At 1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 29,034,457	\$ 24,312,415	\$ 20,456,259

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

For DCRP, the District recognized pension expense of \$2,047 for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$5,955 for the fiscal year ended June 30, 2017.

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 of Public Laws 1990 required the 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. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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

The State's on-behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$286,032, \$294,636, and \$261,395 for 2017, 2016, and 2015, respectively.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

The audit report for the year ended June 30, 2017 was not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2016 is as follows:

	<u>Morris-Essex Insurance Group</u>
Total Assets	\$ 9,740,564
Net Position	\$ 7,012,792
Total Revenue	\$ 3,393,346
Total Expenses	\$ 1,680,814
Change in Net Position	\$ 910,167
Member Dividends	\$ 802,365

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ 1	\$ 12,250	\$ 5,085	\$ 13,550
2015-2016		930	8,571	6,384
2014-2015	1	11,312	8,962	14,025

NOTE 12 DEFERRED COMPENSATION

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

Lincoln Life

AXA Equitable

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

As of June 30, 2017 there were interfund receivables and payables as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 264,443	\$ 15,109
Special Revenue Fund		107,812
Capital Projects Fund		57,106
Proprietary Fund - Food Service Fund	15,109	
Fiduciary Fund	25,871	125,396
	<u>\$ 305,423</u>	<u>\$ 305,423</u>

The interfund receivable in the General Fund represents employee health contributions held in the Fiduciary Fund of \$99,525, as well as \$107,812, the cash deficit due from the Special Revenue Fund as the result of federal grants receivable and \$57,106 due from the Capital Projects fund due to the closing of capital projects. The interfund payable in the General Fund, \$15,109, due to the Food Service Fund is due to state and federal subsidy reimbursements that have been received but not transferred to the Food Service Fund. The interfund receivable and payable in the Fiduciary Fund for \$25,871, represents unemployment contributions and flexible spending contributions held in the Payroll Agency Account.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 14. ECONOMIC DEPENDENCY

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

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation

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

Grant Programs

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

Arbitrage

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

Encumbrances

At June 30, 2017, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 624,452	\$ 551	\$ 625,003
\$ 624,452	\$ 551	\$ 625,003

On the District's Governmental Funds Balance Sheet as of June 30, 2017, \$-0- is assigned for year-end encumbrances for the Special Revenue Fund. On a GAAP basis, actual encumbrances are not recognized until paid and are reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 16. TAX CALENDAR

Property taxes are levied by the District's constituent municipality as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and September 12. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

NOTE 16. TAX CALENDAR (Cont'd)

A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

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

NOTE 17. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental and Business-Type Activities as of June 30, 2017 consisted of the following:

	<u>Governmental Funds</u>	<u>District Contribution</u>	<u>Total</u>	<u>Business-Type Activities</u>
	<u>General Fund</u>	<u>Subsequent to the Measurement Date</u>	<u>Governmental Activities</u>	<u>Proprietary Funds</u>
Vendors	\$ 56,219		\$ 56,219	\$ 37,170
State of New Jersey		\$ 90,000	90,000	
	<u>\$ 56,219</u>	<u>\$ 90,000</u>	<u>\$ 146,219</u>	<u>\$ 37,170</u>

NOTE 18. TUITION RESERVE ACCOUNT

A tuition reserve account may be established in accordance with N.J.A.C. 6A:23-3.1(f) for tuition between two Boards of Education that are in a formal sending/receiving relationship. The maximum amount that may be restricted at year end is 10% of the estimated contract year. Upon certification of tuition rates in the second year following the contract year, full appropriation of the applicable year's reserve must be liquidated and any remaining balance related to that year must be restricted and budgeted for tax relief.

The District established a \$50,000 tuition reserve during the 2016/2017 school year which will be used to pay for any tuition adjustments for the fiscal year ending June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0083773906%	0.0093836240%	0.0081084149%
District's proportionate share of the net pension liability	\$ 1,568,477	\$ 2,106,436	\$ 2,401,480
District's covered employee payroll	\$ 567,642	\$ 570,668	\$ 553,391
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	276.31%	369.12%	433.96%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 69,062	\$ 80,674	\$ 72,606
Contributions in relation to the contractually required contribution	<u>(69,062)</u>	<u>(80,674)</u>	<u>(72,606)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 563,245	\$ 567,642	\$ 570,668
Contributions as a percentage of covered employee payroll	12.26%	14.21%	12.72%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0301625284%	0.0304561326%	0.0309057303%
State's proportionate share of the net pension liability attributable to the District	\$ 16,120,890	\$ 19,249,576	\$ 24,312,415
District's covered employee payroll	\$ 3,066,789	\$ 3,123,921	\$ 3,024,130
State's proportionate share of the net pension liability attributable to the District as a percentage of the District's covered employee payroll	525.66%	616.20%	803.95%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 867,455	\$ 1,175,360	\$ 1,826,740
Contributions in relation to the contractually required contribution	<u>(164,657)</u>	<u>(247,443)</u>	<u>(331,278)</u>
Contribution deficiency/(excess)	<u>\$ 702,798</u>	<u>\$ 927,917</u>	<u>\$ 1,495,462</u>
District's covered employee payroll	\$ 3,066,789	\$ 3,066,789	\$ 3,123,921
Contributions as a percentage of covered employee payroll	28.29%	38.33%	58.48%

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables 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. Post-retirement 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 one year for females).

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)
(Continued)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Assumptions (Cont'd)

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

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

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 9,933,144		\$ 9,933,144	\$ 9,933,144	
Interest Earned on Capital Reserve Funds	1,000		1,000	2,402	\$ 1,402
Miscellaneous	10,000		10,000	35,523	25,523
Total - Local Sources	9,944,144		9,944,144	9,971,069	26,925
State Sources:					
Categorical Special Education Aid	341,301		341,301	341,301	
Categorical Security Aid	50,873		50,873	50,873	
Adjustment Aid	84		84	84	
Categorical Transportation Aid	140,194		140,194	140,194	
PAARC Readiness Aid	4,625		4,625	4,625	
Per Pupil Growth Aid	4,625		4,625	4,625	
Professional Learning Community Aid	4,780		4,780	4,780	
Extraordinary Special Education Costs Aid	80,000		80,000	250,279	170,279
Nonpublic School Transportation Costs				3,503	3,503
On-Behalf TPAF Pension Contribution (Non-Budgeted)				331,278	331,278
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				286,032	286,032
On-Behalf TPAF Long Term Disability Insurance (Non-Budgeted)				1,101	1,101
On-Behalf TPAF Non Contributory Insurance (Non-Budgeted)				12,003	12,003
Reimbursed TPAF Social Security (Non-Budgeted)				219,207	219,207
Total State Sources	626,482		626,482	1,649,885	1,023,403
TOTAL REVENUES	10,570,626		10,570,626	11,620,954	1,050,328

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 148,567	\$ 153	\$ 148,720	\$ 148,720	
Grades 1-5 - Salaries of Teachers	1,066,391	(5,000)	1,061,391	1,010,081	\$ 51,310
Grades 6-8 - Salaries of Teachers	828,676	63,447	892,123	839,765	52,358
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000		1,000		1,000
Purchased Professional - Educational Services	500		500		500
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	70,600	(70,600)			
Purchased Professional - Educational Services	385	(95)	290		290
Other Purchased Services (400-500 series)	45,559	5,075	50,634	45,239	5,395
General Supplies	149,055	(78,216)	70,839	63,490	7,349
Textbooks	40,000	(6,614)	33,386	2,560	30,826
Other Objects	630	479	1,109	1,016	93
Total Regular Programs - Instruction	2,351,363	(91,371)	2,259,992	2,110,871	149,121
Special Education - Instruction:					
Auditory Impairments:					
Purchased Professional - Educational Services	39,940	(39,940)			
General Supplies	1,060	(1,060)			
Other Objects	385	(385)			
Total Auditory Impairments	41,385	(41,385)			

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 305,858		\$ 305,858	\$ 298,729	\$ 7,129
Other Salaries for Instruction	40,343		40,343	40,343	40,343
Purchased Professional - Educational Services		\$ 48,080	48,080	44,592	3,488
General Supplies	1,000	413	1,413	1,386	27
Total Resource Room/Resource Center	347,201	48,493	395,694	344,707	50,987
Autism					
Salaries of Teachers	74,810		74,810	74,225	585
Other Salaries for Instruction	20,452		20,452	20,002	450
General Supplies	500		500	500	500
Total Autism	95,762		95,762	94,227	1,535
Preschool Disabilities - Full-time:					
Salaries of Teachers	95,181	25,974	121,155	103,366	17,789
Other Salaries for Instruction	44,850	20,903	65,753	65,753	240
General Supplies	1,500	982	2,482	2,242	240
Total Preschool Disabilities - Full-time	141,531	47,859	189,390	171,361	18,029
Total Special Education Instruction	625,879	54,967	680,846	610,295	70,551
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	28,239	100	28,339	28,240	99
General Supplies	325	635	960	824	136
Total Basic Skills/Remedial - Instruction	28,564	735	29,299	29,064	235

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Bilingual Education - Instruction:					
Salaries of Teachers	\$ 11,704	\$ 100	\$ 11,804	\$ 11,704	\$ 100
Total Bilingual - Instruction	11,704	100	11,804	11,704	100
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	21,317	2,903	24,220	24,220	
Purchased Services (300-500 series)	1,300		1,300	1,200	100
Supplies and Materials	2,500	(244)	2,256		2,256
Total School-Sponsored Cocurricular Activities - Instruction	25,117	2,659	27,776	25,420	2,356
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	32,688		32,688	32,074	614
Purchased Services (300-500 series)	5,400		5,400	4,712	688
Supplies and Materials	5,000		5,000	171	4,829
Other Objects	1,050		1,050	814	236
Total School-Sponsored Cocurricular Athletics - Instruction	44,138		44,138	37,771	6,367
Other Instructional Programs - Instruction:					
Salaries	8,593		8,593	2,443	6,150
Total Other Instructional Programs - Instruction	8,593		8,593	2,443	6,150
Total Instruction	3,095,358	(32,910)	3,062,448	2,827,568	234,880

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	\$ 2,523,848	\$ (133,263)	\$ 2,390,585	\$ 2,323,997	\$ 66,588
Tuition to Other LEAs Within the State - Special	209,194	10,920	220,114	201,694	18,420
Tuition to CSSD & Regional Day Schools	160,120		160,120	149,077	11,043
Tuition to County Vocational Schools - Regular	128,986	(9,522)	119,464	83,975	35,489
Tuition to Private Schools for the Disabled - Within the State	419,458	74,030	493,488	392,061	101,427
Total Undistributed Expenditures - Instruction:	<u>3,441,606</u>	<u>(57,835)</u>	<u>3,383,771</u>	<u>3,150,804</u>	<u>232,967</u>
Attendance and Social Work:					
Salaries	23,619		23,619	23,595	24
Total Attendance and Social Work	<u>23,619</u>		<u>23,619</u>	<u>23,595</u>	<u>24</u>
Health Services:					
Salaries	127,477	5,090	132,567	131,539	1,028
Purchased Professional and Technical Services	4,200	(250)	3,950	3,950	
Supplies and Materials	1,800	4,545	6,345	6,307	38
Other Objects	1,026		1,026	849	177
Total Health Services	<u>134,503</u>	<u>9,385</u>	<u>143,888</u>	<u>142,645</u>	<u>1,243</u>
Speech, OT, PT, and Related Services:					
Salaries	244,147		244,147	202,673	41,474
Purchased Professional - Educational Services	35,125	24,290	59,415	48,844	10,571
Supplies and Materials	3,400	494	3,894	3,842	52
Total Speech, OT, PT, and Related Services	<u>282,672</u>	<u>24,784</u>	<u>307,456</u>	<u>255,359</u>	<u>52,097</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Extraordinary Services:					
Salaries	\$ 142,738	\$ (8,210)	\$ 134,528	\$ 100,324	\$ 34,204
Total Other Support Services - Students - Extraordinary Services	142,738	(8,210)	134,528	100,324	34,204
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	31,083	(31,083)			
Salaries of Secretarial and Clerical Assistance	15,283	31,212	46,495	46,495	
Total Other Support Services - Students - Guidance	46,366	129	46,495	46,495	
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	139,717		139,717	138,075	1,642
Salaries of Secretarial and Clerical Assistants	36,470	100	36,570	36,470	100
Other Purchased Professional and Technical Services	41,700	(7,698)	34,002	24,702	9,300
Supplies and Materials	2,000	807	2,807	2,807	
Other Objects	300	(25)	275	275	
Total Other Support Services - Students - Child Study Teams	220,187	(6,816)	213,371	202,329	11,042
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	135,429	600	136,029	135,951	78
Salaries of Other Professional Staff	8,000	(7,005)	995		995
Total Improvement of Instructional Services	143,429	(6,405)	137,024	135,951	1,073

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Educational Media Services/School Library:					
Salaries	\$ 5,000	\$ 33,750	\$ 33,750	\$ 33,700	\$ 50
Purchased Professional and Technical Services	(5,000)				
Supplies and Materials	2,785	(258)	2,527	2,203	324
Other Objects	2,629	1,742	4,371	4,308	63
Total Educational Media Services/School Library	10,414	30,234	40,648	40,211	437
Instructional Staff Training Services:					
Other Purchased Professional and Technical Services	11,500		11,500	9,319	2,181
Other Purchased Services	10,000	(700)	9,300	3,718	5,582
Other Objects	1,000		1,000	123	877
Total Instructional Staff Training Services	22,500	(700)	21,800	13,160	8,640
Support Services - General Administration:					
Salaries	167,554	17,350	184,904	184,824	80
Legal Services	15,700	2,536	18,236	17,029	1,207
Audit Fees	19,100		19,100	19,100	
Other Purchased Professional Services	12,303	5,000	17,303	13,380	3,923
Communications/Telephone	34,680	(1,919)	32,761	29,590	3,171
BOE Other Purchased Services	4,300	(653)	3,647	2,584	1,063
Miscellaneous Purchased Services (400-500 series)	19,400	2,572	21,972	21,644	328
General Supplies	400	(50)	350	22	328
Miscellaneous Expenditures	4,774	(1,410)	3,364	2,527	837
BOE Membership Dues and Fees	5,830	574	6,404	6,404	
Total Support Services - General Administration	284,041	24,000	308,041	297,104	10,937

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 122,872	\$ (11,000)	\$ 111,872	\$ 92,578	\$ 19,294
Salaries of Secretarial and Clerical Assistants	37,165	600	37,765	37,688	77
Purchased Professional and Technical Services	5,200	10	5,210	5,210	
Other Purchased Services (400-500 series)	500		500	343	157
Supplies and Materials	500		500	242	258
Other Objects	1,049	(600)	449	449	
Total Support Services - School Administration	167,286	(10,990)	156,296	136,061	20,235
Central Services:					
Salaries	157,252	1,767	159,019	137,712	21,307
Purchased Technical Services	23,039	411	23,450	23,450	
Miscellaneous Purchased Services	1,000	(85)	915	553	362
Supplies and Materials	2,200	240	2,440	2,440	
Miscellaneous Expenditures	2,840	(1,015)	1,825	1,825	
Total Central Services	186,331	1,318	187,649	165,980	21,669
Required Maintenance of School Facilities:					
Salaries	52,142	34,450	86,592	86,121	471
Cleaning, Repair and Maintenance Services	115,544	16,966	132,510	124,103	8,407
General Supplies	17,443	(2,022)	15,421	4,821	10,600
Total Required Maintenance of School Facilities	185,129	49,394	234,523	215,045	19,478

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 191,854	\$ 5,593	\$ 197,447	\$ 197,406	\$ 41
Purchased Professional and Technical Services	6,115	(1,620)	4,495	4,071	424
Cleaning, Repair and Maintenance Services	60,273	(21,437)	38,836	20,459	18,377
Other Purchased Property Services	42,260		42,260	41,696	564
Insurance	76,486		76,486	76,145	341
General Supplies	27,557	1,620	29,177	28,281	896
Energy (Natural Gas)	40,000		40,000	30,091	9,909
Energy (Oil)	43,000		43,000	23,703	19,297
Energy (Electricity)	90,000		90,000	79,286	10,714
Other Objects	1,032		1,032	841	191
Total Custodial Services	578,577	(15,844)	562,733	501,979	60,754
Care and Upkeep of Grounds:					
Salaries	18,945		18,945	18,906	39
Cleaning, Repair and Maintenance Services	18,260		18,260	13,045	5,215
General Supplies	500		500	500	
Total Care and Upkeep of Grounds	37,705		37,705	31,951	5,754
Security					
Purchased Technical Services	3,000	(2,237)	763		763
Cleaning, Repair and Maintenance Services	5,130	2,591	7,721	7,670	51
General Supplies		447	447		447
Total Security	8,130	801	8,931	7,670	1,261

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services:					
Between Home and School - Regular	\$ 17,540	\$	17,540	17,522	\$ 18
Contracted Services:					
Between Home and School - Vendors	450		450	140	310
Other Than Between Home and School - Vendors	20,720		20,720	19,803	917
Between Home and School - Joint Agreements	75,000	\$ (13,850)	61,150	9,000	52,150
Special Education Students - Joint Agreements	100,000	(3,300)	96,700	66,319	30,381
Regular Students - ESC's and CTSA's	282,000		282,000	221,107	60,893
Special Education Students - ESC's and CTSA's	142,000		142,000	136,261	5,739
Aid in Lieu - Nonpublic Schools	35,685		35,685	19,867	15,818
Total Student Transportation Services	673,395	(17,150)	656,245	490,019	166,226
Unallocated Benefits:					
Social Security Contributions	85,000	12,203	97,203	94,113	3,090
Other Retirement Contributions - PERS	90,000	(5,000)	85,000	72,606	12,394
Other Retirement Contributions- Regular	7,000	1,200	8,200	8,002	198
Workmen's Compensation	75,000	(28,536)	46,464	35,632	10,832
Health Benefits	901,000	4,869	905,869	810,529	95,340
Tuition Reimbursement	27,864	12,000	39,864	28,163	11,701
Other Employee Benefits	13,783	17,114	30,897	24,566	6,331
Total Unallocated Benefits	1,199,647	13,850	1,213,497	1,073,611	139,886

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
On-Behalf Contributions:					
On-Behalf TPAF Pension Contribution (Non-Budgeted)			\$ 331,278	\$ 331,278	\$ (331,278)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)			286,032	286,032	(286,032)
On-Behalf TPAF Long Term Disability Insurance (Non-Budgeted)			1,101	1,101	(1,101)
On-Behalf TPAF Non Contributory Insurance (Non-Budgeted)			12,003	12,003	(12,003)
Reimbursed TPAF Social Security (Non-Budgeted)			219,207	219,207	(219,207)
Total On-Behalf Contributions			849,621	849,621	(849,621)
Total Personal Services - Employee Benefits	\$ 1,199,647	\$ 13,850	\$ 1,213,497	1,923,232	(709,735)
Total Undistributed Expenses	7,788,275	29,945	7,818,220	7,879,914	(61,694)
TOTAL GENERAL CURRENT EXPENSE	10,883,633	(2,965)	10,880,668	10,707,482	173,186
Transfer of Funds to Charter Schools	40,339	2,965	43,304	42,772	532
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:	30,000		30,000	26,118	3,882
Technology Equipment					
Undistributed Expenditures:					
Custodial Services	10,000	(3,162)	6,838		6,838
Total Equipment	40,000	(3,162)	36,838	26,118	10,720

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	\$ 15,186	\$ 45,893	\$ 61,079	\$ 14,100	\$ 46,979
Construction Services	486,778	566,422	1,053,200	379,257	673,943
Other Objects - Debt Service Assessment	230		230	230	
Total Facilities Acquisition and Construction Services	502,194	612,315	1,114,509	393,587	720,922
TOTAL CAPITAL OUTLAY	542,194	609,153	1,151,347	419,705	731,642
TOTAL EXPENDITURES	11,466,166	609,153	12,075,319	11,169,959	905,360
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(895,540)	(609,153)	(1,504,693)	450,995	1,955,688
Other Financing Sources:					
Transfer from Capital Projects Fund - Capital Reserve				57,106	57,106
Total Other Financing Sources				57,106	57,106
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	(895,540)	(609,153)	(1,504,693)	508,101	2,012,794
Fund Balance, July 1	3,229,404		3,229,404	3,229,404	
Fund Balance, June 30	\$ 2,333,864	\$ (609,153)	\$ 1,724,711	\$ 3,737,505	\$ 2,012,794

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Recapitulation:	
Restricted:	
Excess Surplus	\$ 405,127
Excess Surplus - Designated for Subsequent Year's Expenditures	555,755
Capital Reserve	1,496,990
Maintenance Reserve	50,000
Tuition Reserve Designated for 2018-2019	50,000
Assigned:	
Year-End Encumbrances	624,452
Designated for Subsequent Year's Expenditures	131,399
Unassigned	423,782
	3,737,505
Reconciliation to Governmental Funds Statement (GAAP):	
Last Two State Aid Payments not Recognized on GAAP Basis	(54,618)
Fund Balance per Governmental Funds (GAAP)	\$ 3,682,887

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources		\$ 18,929	\$ 18,929	\$ 5,528	\$ (13,401)
State Sources	\$ 866		866		(866)
Federal Sources	125,000	36,766	161,766	160,676	(1,090)
Total Revenues	\$ 125,866	\$ 55,695	\$ 181,561	\$ 166,204	\$ (15,357)
EXPENDITURES:					
Instruction					
Salaries of Teachers	\$ 20,000	\$ 8,796	\$ 28,796	\$ 28,796	
Purchased Professional/Educational Services		726	726	726	
Tuition	90,000	14,654	104,654	104,654	
General Supplies	286	23,007	23,293	8,516	\$ 14,777
Total Instruction	110,286	47,183	157,469	142,692	14,777
Support Services					
Personal Services - Employee Benefits		5,873	5,873	5,873	
Purchased Professional/Educational Services	15,580	2,639	18,219	17,639	580
Total Support Services	15,580	8,512	24,092	23,512	580
Total Expenditures	\$ 125,866	\$ 55,695	\$ 181,561	\$ 166,204	\$ 15,357

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 11,620,954	\$ 166,204
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not		
Current Year Encumbrances		(551)
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(54,618)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	50,452	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 11,616,788	\$ 165,653
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 11,169,959	\$ 166,204
Differences - Budget to GAAP		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not		
Current Year Encumbrances		(551)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 11,169,959	\$ 165,653

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	No Child Left Behind				IDEA Part B	
	Title I	Title II		Title III	Basic	Preschool
		Part A	Part B			
REVENUE:						
Local Sources						
Federal Sources	\$ 37,903	\$ 17,639	\$ 480	\$ 100,673	\$ 3,981	
Total Revenue	<u>37,903</u>	<u>17,639</u>	<u>480</u>	<u>100,673</u>	<u>3,981</u>	
EXPENDITURES:						
Instruction:						
Salaries of Teachers	28,796					
Purchased Professional/Educational Services	726			100,673	3,981	
Tuition			480			
General Supplies	2,508					
Total Instruction	<u>32,030</u>		<u>480</u>	<u>100,673</u>	<u>3,981</u>	
Support Services:						
Personal Services - Employee Benefits	5,873					
Purchased Professional/Educational Services		17,639				
Total Support Services	<u>5,873</u>	<u>17,639</u>				
Total Expenditures	<u>\$ 37,903</u>	<u>\$ 17,639</u>	<u>\$ 480</u>	<u>\$ 100,673</u>	<u>\$ 3,981</u>	

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Local Grants	Totals
REVENUE:		
Local Sources	\$ 5,528	\$ 5,528
Federal Sources		160,676
Total Revenue	5,528	166,204
EXPENDITURES:		
Instruction:		
Salaries of Teachers		28,796
Purchased Professional/Educational Services		726
Tuition		104,654
General Supplies	5,528	8,516
Total Instruction	5,528	142,692
Support Services:		
Personal Services - Employee Benefits		5,873
Purchased Professional/Educational Services		17,639
Total Support Services		23,512
Total Expenditures	\$ 5,528	\$ 166,204

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOT APPLICABLE

CAPITAL PROJECTS FUND

BOROUGH OF MOUNT ARLINGTON 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

Revenue and Other Financing Sources:	
SDA Grants	\$ (4,787)
Transfer from/(to) Capital Reserve	(57,106)
Total Revenues and Other Financing Sources:	<u>(61,893)</u>
Excess/(Deficiency) of Revenues and Other Financing Sources	
Over/(Under) Expenditures	(61,893)
Fund Balance - Beginning Balance	<u>61,893</u>
Fund Balance - Ending Balance	<u><u>\$ -0-</u></u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
EDITH M. DECKER SCHOOL - HVAC REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
SDA Grant	\$ 126,580		\$ 126,580	\$ 126,580
Transfer from/(to) Capital Reserve	189,868	\$ (38,147)	151,721	151,721
Total Revenues and Other Financing Sources	316,448	(38,147)	278,301	278,301
Expenditures:				
Purchased Professional and Technical Services	21,316		21,316	21,316
Construction Services	256,985		256,985	256,985
Total Expenditures	278,301		278,301	278,301
Excess of Revenue and Other Financing Sources Over Expenditures	\$ 38,147	\$ (38,147)	\$ -0-	\$ -0-

Additional Project Information:

Project Number 3410-045-14-1001
 Grant Date May 2, 2014
 Bonds Authorized N/A
 Bonds Issued N/A
 Original Authorized Cost \$ 276,448
 Additional Transfer from Capital Reserve 40,000
 Cancellation of Capital Reserve (38,147)
 Revised Authorized Cost \$ 278,301
 Percentage Completion 100.00%
 Original Target Completion Date September 1, 2015
 Revised Target Completion Date September 1, 2016

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
EDITH M. DECKER SCHOOL - WINDOW REPLACEMENT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior</u>	<u>Current</u>	<u>Total</u>	<u>Authorized</u>
	<u>Periods</u>	<u>Year</u>	<u></u>	<u>Cost</u>
Revenue and Other Financing Sources:				
SDA Grant	\$ 59,660		\$ 59,660	\$ 59,660
Transfer from/(to) Capital Reserve	129,492	\$ (13,238)	116,254	116,254
Total Revenues and Other Financing Sources	<u>189,152</u>	<u>(13,238)</u>	<u>175,914</u>	<u>175,914</u>
Expenditures:				
Purchased Professional and Technical Services	14,114		14,114	14,114
Construction Services	161,800		161,800	161,800
Total Expenditures	<u>175,914</u>		<u>175,914</u>	<u>175,914</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 13,238</u>	<u>\$ (13,238)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number	3410-045-14-1001
Grant Date	May 2, 2014
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 189,152
Cancellation of Capital Reserve	(13,238)
Revised Authorized Cost	<u>\$ 175,914</u>
Percentage Completion	<u>100.00%</u>
Original Target Completion Date	September 1, 2015
Revised Target Completion Date	September 1, 2016

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
MOUNT ARLINGTON PUBLIC SCHOOL - ELEVATOR
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Revenue and Other Financing Sources:	Prior Periods	Current Year	Total	Authorized Cost
SDA Grant	\$ 113,000	\$ (4,787)	\$ 108,213	\$ 108,213
Transfer from/(to) Capital Reserve	169,500	(5,721)	163,779	163,779
Total Revenues and Other Financing Sources	<u>282,500</u>	<u>(10,508)</u>	<u>271,992</u>	<u>271,992</u>
Expenditures:				
Purchased Professional and Technical Services	20,577		20,577	20,577
Construction Services	251,415		251,415	251,415
Total Expenditures	<u>271,992</u>		<u>271,992</u>	<u>271,992</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 10,508</u>	<u>\$ (10,508)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Additional Project Information:

Project Number	3410-050-14-1002
Grant Date	May 2, 2014
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 282,500
Cancellation of SDA Grant	\$ (4,787)
Cancellation of Capital Reserve	(5,721)
Revised Authorized Cost	<u>\$ 271,992</u>
Percentage Completion	<u>100.00%</u>
Original Target Completion Date	September 1, 2015
Revised Target Completion Date	September 1, 2016

PROPRIETARY FUNDS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$	44,004
Intergovernmental Receivable:		
Federal		3,885
State		127
Interfund Receivable		15,109
Inventory		2,675
		44,004

Total Current Assets

65,800

Non-Current Assets:

Capital Assets		108,180
Less: Accumulated Depreciation		(97,399)
		10,781

Total Non-Current Assets

10,781

Total Assets

76,581

LIABILITIES:

Accounts Payable		37,170
Unearned Revenue - Prepaid Sales		890
Unearned Revenue - Donated Commodities		975
		39,035

Total Liabilities

39,035

NET POSITION:

Investment in Capital Assets		10,781
Unrestricted		26,765
		37,546

Total Net Position

\$ 37,546

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 71,092
Daily Sales - Nonreimbursable Programs	27,349
	<hr/>
Total Operating Revenue	98,441
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	75,065
Cost of Sales - Nonreimbursable Programs	18,620
Salaries, Benefits & Payroll Taxes	61,910
Supplies, Insurance & Other Costs	3,254
Management Fee	7,900
Depreciation Expense	2,603
	<hr/>
Total Operating Expenses	169,352
	<hr/>
Operating Loss	(70,911)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	38,143
School Breakfast Program	6,088
Food Distribution Program	10,784
State Sources:	
State School Lunch Program	1,442
Local Sources:	
Interest Income	79
	<hr/>
Total Non-Operating Revenue	56,536
	<hr/>
Change in Net Position	(14,375)
	<hr/>
Net Position - Beginning of Year	51,921
	<hr/>
Net Position - End of Year	\$ 37,546
	<hr/> <hr/>

BOROUGH OF MOUNT ARLINGTON 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	\$ 120,647
Payments to Food Service Vendor	(139,329)
	<hr/>
Net Cash (Used for) Operating Activities	(18,682)
Cash Flows from Noncapital Financing Activities:	
State Subsidy Reimbursements	1,382
Federal Subsidy Reimbursements	42,446
	<hr/>
Net Cash Provided by Noncapital Financing Activities	43,828
Cash Flows from Investing Activities:	
Interest on Investments	79
	<hr/>
Net Cash Provided by Investing Activities	79
	<hr/>
Net Increase in Cash and Cash Equivalents	25,225
Cash and Cash Equivalents, July 1	18,779
	<hr/>
Cash and Cash Equivalents, June 30	\$ 44,004
	<hr/> <hr/>
Reconciliation of Operating Loss to	
Net Cash (Used for) Operating Activities:	
Operating Loss	\$ (70,911)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	2,603
Food Distribution Program	10,784
Changes in Assets and Liabilities:	
Decrease in Interfund Receivable	22,206
(Increase) in Inventory	(717)
Increase in Accounts Payable	16,548
Increase in Unearned Revenue - Prepaid Sales	383
Increase in Unearned Revenue - Donated Commodities	422
	<hr/>
Net Cash (Used for) Operating Activities	\$ (18,682)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$11,206 and utilized U.S.D.A. Commodities valued at \$10,784.

FIDUCIARY FUNDS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Agency</u>			<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>		
ASSETS:					
Cash and Cash Equivalents	\$ 23,047	\$ 173,178	\$ 196,225	\$ 4,801	\$ 337
Interfund Receivable				12,658	13,213
Total Assets	<u>23,047</u>	<u>173,178</u>	<u>196,225</u>	<u>17,459</u>	<u>13,550</u>
LIABILITIES:					
Payroll Deductions and Withholdings		40,843	40,843		
Net Salaries and Wages		6,939	6,939		
Interfund Payable		125,396	125,396		
Due to Student Groups	23,047		23,047		
Total Liabilities	<u>23,047</u>	<u>173,178</u>	<u>196,225</u>		
NET POSITION:					
Held in Trust for Unemployment Claims					13,550
Held in Trust for Flexible Spending Claims				17,459	
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 17,459</u>	<u>\$ 13,550</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
ADDITIONS:		
Contributions:		
Employee Deductions	\$ 6,358	\$ 12,250
Miscellaneous	13,175	
Total Contributions	<u>19,533</u>	<u>12,250</u>
Investment Earnings	<u>6</u>	<u>1</u>
Total Additions	<u>19,539</u>	<u>12,251</u>
DEDUCTIONS:		
Unemployment Claims and Contributions		5,085
Flexible Spending Claims	<u>4,275</u>	
Total Deductions	<u>4,275</u>	<u>5,085</u>
Change in Net Position	15,264	7,166
Net Position - Beginning of the Year	<u>2,195</u>	<u>6,384</u>
Net Position - End of the Year	<u>\$ 17,459</u>	<u>\$ 13,550</u>

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 20,952	\$ 62,236	\$ 60,141	\$ 23,047
Total Assets	<u>\$ 20,952</u>	<u>\$ 62,236</u>	<u>\$ 60,141</u>	<u>\$ 23,047</u>
LIABILITIES:				
Due to Student Groups	\$ 20,952	\$ 62,236	\$ 60,141	\$ 23,047
Total Liabilities	<u>\$ 20,952</u>	<u>\$ 62,236</u>	<u>\$ 60,141</u>	<u>\$ 23,047</u>

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
School Class Account	<u>\$ 20,952</u>	<u>\$ 62,236</u>	<u>\$ 60,141</u>	<u>\$ 23,047</u>
Total All Schools	<u><u>\$ 20,952</u></u>	<u><u>\$ 62,236</u></u>	<u><u>\$ 60,141</u></u>	<u><u>\$ 23,047</u></u>

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 57,034	\$ 4,775,205	\$ 4,659,061	\$ 173,178
Total Assets	<u>\$ 57,034</u>	<u>\$ 4,775,205</u>	<u>\$ 4,659,061</u>	<u>\$ 173,178</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 35,709	\$ 1,984,428	\$ 1,979,294	\$ 40,843
Interfund Payable	12,488	112,908		125,396
Accrued Salaries and Wages	8,445	177,432	185,877	
Net Salaries and Wages	392	2,500,437	2,493,890	6,939
Total Liabilities	<u>\$ 57,034</u>	<u>\$ 4,775,205</u>	<u>\$ 4,659,061</u>	<u>\$ 173,178</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of				Interest Rate	Balance June 30, 2016	Matured	Balance June 30, 2017
			Bonds Outstanding		Amount	June 30, 2017				
			Date	Amount						
Refunding Bonds	09/14/05	\$ 3,260,000	1/15/2018	\$ 150,000	4.000%					
			1/15/2019	160,000	4.000%					
			1/15/2020	165,000	4.000%					
			1/15/2021	170,000	4.000%					
			1/15/2022	180,000	4.000%					
			1/15/2023	185,000	4.000%					
			1/15/2024	190,000	4.000%					
			1/15/2025	200,000	4.000%					
			1/15/2026	210,000	4.000%					
			1/15/2027	215,000	4.000%					
		1/15/2028	220,000	4.000%						
						\$ 2,190,000	\$ 145,000	\$ 2,045,000		
						\$ 2,190,000	\$ 145,000	\$ 2,045,000		

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOT APPLICABLE

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
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	\$ 232,600		\$ 232,600	\$ 232,600	
Total Revenues	232,600		232,600	232,600	
EXPENDITURES:					
Regular Debt Service:					
Interest	87,600		87,600	87,600	
Redemption of Principal	145,000		145,000	145,000	
Total Regular Debt Service	232,600		232,600	232,600	
Total Expenditures	232,600		232,600	232,600	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures					
Fund Balance, July 1	1		1	1	
Fund Balance, June 30	\$ 1	\$ -0-	\$ 1	\$ 1	\$ -0-
Recapitulation:					
Restricted for Subsequent Year's Expenditures			\$ 1	\$ 1	
			\$ 1	\$ 1	

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

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

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

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Net Investment in Capital Assets	\$ 1,322,896	\$ 1,577,020	\$ 1,581,654	\$ 1,682,703	\$ 2,190,115	\$ 2,425,170	\$ 2,924,264	\$ 3,611,901	\$ 3,799,984	\$ 4,070,389
Restricted	512,679	634,915	1,090,538	1,223,726	1,577,761	2,460,749	1,792,806	1,892,178	2,305,167	2,557,873
Unrestricted/(Deficit)	261,349	243,054	294,915	556,112	477,145	243,179	(264,411)	(839,382)	(719,554)	(630,135)
Total governmental activities net position	\$ 2,096,924	\$ 2,454,989	\$ 2,967,107	\$ 3,462,541	\$ 4,245,021	\$ 5,129,098	\$ 4,452,659	\$ 4,664,697	\$ 5,385,597	\$ 5,998,127
Business-type Activities:										
Investment in Capital Assets	\$ 24,865	\$ 20,697	\$ 17,053	\$ 13,587	\$ 23,553	\$ 19,378	\$ 20,478	\$ 15,987	\$ 13,384	\$ 10,781
Unrestricted	31,043	45,699	40,966	39,502	37,915	37,847	34,613	37,259	38,537	26,765
Total business-type activities net position	\$ 55,908	\$ 66,396	\$ 58,019	\$ 53,089	\$ 61,468	\$ 57,225	\$ 55,091	\$ 53,246	\$ 51,921	\$ 37,546
District-wide:										
Net Investment in Capital Assets	\$ 1,347,761	\$ 1,597,717	\$ 1,598,707	\$ 1,696,290	\$ 2,213,668	\$ 2,444,548	\$ 2,944,742	\$ 3,627,888	\$ 3,813,368	\$ 4,081,170
Restricted	512,679	634,915	1,090,538	1,223,726	1,577,761	2,460,749	1,792,806	1,892,178	2,305,167	2,557,873
Unrestricted/(Deficit)	292,392	288,753	335,881	595,614	515,060	281,026	(229,798)	(802,123)	(681,015)	(603,370)
Total District Net Position	\$ 2,152,832	\$ 2,521,385	\$ 3,025,126	\$ 3,515,630	\$ 4,306,489	\$ 5,186,323	\$ 4,507,750	\$ 4,717,943	\$ 5,437,518	\$ 6,035,673

Source: School District Financial Reports.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)

UNAUDITED

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 2,539,331	\$ 2,528,689	\$ 2,683,270	\$ 2,571,625	\$ 2,680,990	\$ 3,001,062	\$ 3,127,551	\$ 3,708,862	\$ 3,926,699	\$ 4,505,342
Special Education	969,361	1,053,335	1,128,097	898,094	660,316	742,111	689,550	891,387	982,122	1,189,732
Other Special Instruction	56,601	69,168	132,778	31,848	156,166	31,846	35,390	51,575	74,419	89,471
School Sponsored Instruction	77,794	73,413	16,985	3,492	9,325	17,958	107,622	104,470	109,371	131,214
Support Services:										
Tuition	2,981,586	3,386,585	3,298,984	3,428,109	3,010,648	3,029,931	3,069,283	3,509,957	3,483,215	3,255,458
Student & Instruction Related Services	1,178,800	962,906	941,725	788,211	1,038,707	1,040,564	1,094,672	1,248,399	1,139,183	1,258,706
General Administrative Services	181,989	340,563	352,280	356,333	354,269	359,353	297,909	319,315	320,743	357,010
School Administrative Services	379,650	220,296	237,765	189,098	211,121	189,053	213,480	246,605	290,653	182,029
Central Services	150,516	99,580	112,909	161,217	157,106	183,459	198,757	206,505	222,618	210,617
Plant Operations and Maintenance	744,269	665,137	713,750	678,469	642,281	661,216	661,037	716,039	715,012	858,359
Pupil Transportation	495,142	455,249	492,486	511,725	503,858	466,672	564,266	465,746	470,149	490,019
Unallocated Depreciation				122,195	128,231	138,979	93,949	278,359	200,695	241,797
Capital Outlay	36,899	23,850	23,416	288	39,797	107,967	37,860	230	230	230
Interest on Long-Term Debt	76,215	120,794	117,217	113,407	109,432	105,389	100,835	96,142	90,467	85,217
Charter Schools				11,498	50,909	24,930	38,415	51,762	40,342	42,772
Total Governmental Activities Expenses	9,868,153	9,999,565	10,251,662	9,865,609	9,753,156	10,100,490	10,330,576	11,895,353	12,065,918	12,897,973
Business-type Activities:										
Food Service	154,680	130,194	149,650	148,138	146,972	127,284	118,756	133,598	144,867	169,352
Total Business-type Activities Expenses	154,680	130,194	149,650	148,138	146,972	127,284	118,756	133,598	144,867	169,352
Total District Expenses	10,022,833	10,129,759	10,401,312	10,013,747	9,900,128	10,227,774	10,449,332	12,028,951	12,210,785	13,067,325
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	29,829	28,872	18,647	17,254		1,378,670	1,295,596	2,212,445	2,537,058	3,242,679
Operating Grants and Contributions	1,227,546	1,265,201	739,454	1,109,685	1,145,954			117,781	176,672	
Capital Grants and Contributions			32,514	4,200	1,800					
Total Governmental Activities Program Revenues	1,257,375	1,294,073	790,615	1,131,139	1,147,754	1,378,670	1,295,596	2,330,226	2,713,730	3,242,679
Business-type Activities:										
Charges for Services:										
Food Service	109,702	110,337	109,140	106,514	106,463	89,901	86,475	89,042	93,790	98,441
Operating Grants and Contributions	35,996	30,301	32,133	36,694	34,749	33,133	29,999	42,594	49,709	56,457
Total Business-type Activities Revenues	145,698	140,638	141,273	143,208	141,212	123,034	116,474	131,636	143,499	154,898
Total District Program Revenues	1,403,073	1,434,711	931,888	1,274,347	1,288,966	1,501,704	1,412,070	2,461,862	2,857,229	3,397,577

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense)/Revenue										
Governmental Activities	\$ (8,610,778)	\$ (8,705,492)	\$ (9,461,047)	\$ (8,734,470)	\$ (8,605,402)	\$ (8,721,820)	\$ (9,034,980)	\$ (9,565,127)	\$ (9,352,188)	\$ (9,655,294)
Business-type Activities	(8,982)	10,444	(8,377)	(4,930)	(5,760)	(4,250)	(2,282)	(1,962)	(1,368)	(14,454)
Total District-wide Net (Expense)/Revenue	(8,619,760)	(8,695,048)	(9,469,424)	(8,739,400)	(8,611,162)	(8,726,070)	(9,037,262)	(9,567,089)	(9,353,556)	(9,669,748)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	8,557,293	8,567,494	8,752,714	8,746,381	8,921,309	9,099,735	9,281,730	9,467,364	9,738,377	9,933,144
Taxes Levied for Debt Service	220,368	223,267	233,906	235,194	236,294	232,231	233,013	233,463	238,400	232,600
Unrestricted Grants and Contributions	486,071	139,593	604,377	16,606	207,123	170,798	190,541	58,384	59,947	64,155
Investment Earnings	61,930	103	25	9,206	8,906	3,028	6,029	948	958	2,402
Miscellaneous Income	97,044	133,100	382,143	222,517	28,389	100,105	79,482	17,006	35,406	35,523
Transfers					(14,139)					
Total Governmental Activities	9,422,706	9,063,557	9,973,165	9,229,904	9,387,882	9,605,897	9,790,795	9,777,165	10,073,088	10,267,824
Business-type Activities:										
Investment Earnings	234	44			14,139	7	148	117	43	79
Transfers										
Total Business-type Activities	234	44			14,139	7	148	117	43	79
Total District-wide	9,422,940	9,063,601	9,973,165	9,229,904	9,402,021	9,605,904	9,790,943	9,777,282	10,073,131	10,267,903
Change in Net Position										
Governmental Activities	811,928	358,065	512,118	495,434	782,480	884,077	755,815	212,038	720,900	612,530
Business-type Activities	(8,748)	10,488	(8,377)	(4,930)	8,379	(4,243)	(2,134)	(1,845)	(1,325)	(14,375)
Total District	\$ 803,180	\$ 368,553	\$ 503,741	\$ 490,504	\$ 790,859	\$ 879,834	\$ 753,681	\$ 210,193	\$ 719,575	\$ 598,155

Source: School District Financial Reports.

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

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved/Restricted	\$ 503,552	\$ 634,890	\$ 1,090,538	\$ 1,215,159	\$ 1,571,644	\$ 1,615,711	\$ 1,792,806	\$ 1,892,177	\$ 2,305,166	\$ 2,557,872
Unreserved	400,142	344,883	376,262							
Assigned				208,567	221,117	513,878	447,770	422,778	542,839	755,851
Unassigned				436,272	341,831	321,698	351,629	375,228	330,947	369,164
Total General Fund	\$ 903,694	\$ 979,773	\$ 1,466,800	\$ 1,859,998	\$ 2,134,592	\$ 2,451,287	\$ 2,592,205	\$ 2,690,183	\$ 3,178,952	\$ 3,682,887
All Other Governmental Funds:										
Reserved/Restricted						\$ 303,249		\$ 1	\$ 1	\$ 1
Committed						27,911	\$ 427,947		57,106	
Unreserved, Reported in:										
Special Revenue Fund/(Deficit)	\$ (627)									
Debt Service Fund	9,127	\$ 25								
Unassigned/(Deficit):								(119,566)		
Capital Projects Fund										
Total All Other Governmental Funds	\$ 8,500	\$ 25	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 331,160	\$ 427,947	\$ (119,565)	\$ 57,107	\$ 1
Total All Governmental Funds:										
Reserved/Restricted	\$ 503,552	\$ 634,890	\$ 1,090,538	\$ 1,215,159	\$ 1,571,644	\$ 1,918,960	\$ 1,792,806	\$ 1,892,178	\$ 2,305,167	\$ 2,557,873
Committed						27,911	427,947		57,106	
Unreserved	408,642	344,908	376,262	208,567	221,117	513,878	447,770	422,778	542,839	755,851
Assigned				436,272	341,831	321,698	351,629	255,662	330,947	369,164
Unassigned										
Total All Governmental Funds	\$ 912,194	\$ 979,798	\$ 1,466,800	\$ 1,859,998	\$ 2,134,592	\$ 2,782,447	\$ 3,020,152	\$ 2,570,618	\$ 3,236,059	\$ 3,682,888

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax Levy	\$ 8,777,661	\$ 8,790,761	\$ 8,986,620	\$ 8,981,575	\$ 9,157,603	\$ 9,331,966	\$ 9,514,743	\$ 9,700,827	\$ 9,976,777	\$ 10,165,744
Tuition Charges	29,829	28,872	18,647	17,254					958	2,402
Interest Earnings	61,930	103	25	2,209	3,473	3,028	6,029	948		
Miscellaneous	90,966	133,100	382,143	231,014	33,822	107,830	88,552	19,581	41,214	40,500
Other Sources	6,078	2,000								
State Sources	1,527,362	1,220,155	1,071,501	942,802	1,173,323	1,335,185	1,306,296	1,534,795	1,683,742	1,645,719
Federal Sources	186,255	182,639	304,844	186,189	181,554	206,558	170,771	148,442	156,210	160,676
Total Revenues	10,680,081	10,357,630	10,763,780	10,361,043	10,549,775	10,984,567	11,086,391	11,404,593	11,858,901	12,015,041
Expenditures										
Instruction:										
Regular Instruction	1,798,911	1,762,503	1,852,346	1,857,203	1,922,910	2,066,742	2,297,870	2,171,983	2,127,790	2,148,358
Special Education Instruction	679,361	821,890	880,935	648,581	465,620	509,134	481,046	523,612	552,087	610,295
Other Instruction	37,708	54,600	46,628	19,481	108,483	16,477	27,919	37,522	39,184	43,211
School Sponsored Instruction	56,550	56,951	62,488	8,338	6,496	18,465	75,210	60,237	60,756	63,191
Support Services:										
Tuition	2,981,586	3,386,585	3,298,984	3,428,109	3,010,648	3,029,931	3,069,283	3,509,957	3,483,215	3,255,458
Student & Instruction Related Services	889,793	763,955	744,039	615,862	818,502	828,711	876,015	1,009,145	896,226	983,581
General Administrative Services	297,020	286,258	291,091	294,801	299,658	307,757	253,530	270,740	269,352	297,104
School Administrative Services	136,469	158,318	173,379	136,413	148,874	130,159	149,593	153,263	160,935	136,061
Central Services	109,355	88,429	101,404	131,826	126,504	150,622	159,501	163,540	175,367	165,980
Plant Operations and Maintenance	634,992	597,777	646,515	731,873	578,578	595,048	589,716	651,266	629,589	756,645
Pupil Transportation	484,347	450,591	487,680	507,611	500,360	462,966	559,703	460,759	464,854	490,019
Unallocated Benefits	1,496,256	1,368,224	1,395,009	1,336,567	1,415,874	1,569,065	1,566,216	1,656,084	1,750,544	1,923,232

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Charter Schools	\$ 36,899	\$ 23,850	\$ 23,416	\$ 11,498	\$ 50,909	\$ 24,930	\$ 38,415	\$ 51,762	\$ 40,342	\$ 42,772
Capital Outlay	418,523	237,726	38,933	4,488	571,332	394,474	471,656	900,795	304,819	419,705
Debt Service:										
Principal	105,000	110,000	115,000	120,000	125,000	125,000	130,000	135,000	145,000	145,000
Interest and Other Charges	127,389	122,369	118,931	115,194	111,294	107,231	103,013	98,462	93,400	87,600
Total Expenditures	10,288,151	10,288,017	10,274,768	9,967,845	10,261,042	10,336,712	10,848,686	11,854,127	11,193,460	11,568,212
Excess (Deficiency) of Revenues Over (Under) Expenditures	391,930	69,613	489,012	393,198	288,733	647,855	237,705	(449,534)	665,441	446,829
Other Financing Sources (Uses)										
Transfers In					542,722	346,000	433,194	40,000		57,106
Transfers Out					(556,861)	(346,000)	(433,194)	(40,000)		(57,106)
Total Other Financing Sources (Uses)					(14,139)					
Net Change in Fund Balances	\$ 391,930	\$ 69,613	\$ 489,012	\$ 393,198	\$ 274,594	\$ 647,855	\$ 237,705	\$ (449,534)	\$ 665,441	\$ 446,829
Debt Service as a Percentage of Noncapital Expenditures	2.4%	2.4%	2.3%	2.4%	2.5%	2.4%	2.3%	2.2%	2.2%	2.1%

Source: School District Financial Reports.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2008	\$ 29,829	\$ 61,930		\$ 90,942	\$ 182,701
2009	28,872	18,533	\$ 9,866	104,804	162,075
2010	18,647	10,905		370,158	399,710
2011	17,254	9,206	197,348	25,169	248,977
2012		8,906	11,813	16,576	37,295
2013	3,428	7,159	87,669	4,877	103,133
2014		6,029	77,433	2,049	85,511
2015		6,317	17	11,620	17,954
2016		6,388		29,976	36,364
2017		16,016	4,785	17,124	37,925

Source: Borough of Mount Arlington School District records.

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

Year Ended December 31,	Vacant Land	Residential	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Add: Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2007	\$ 16,952,600	\$ 580,545,900	\$ 12,300	\$ 71,623,100	\$ 234,200	\$ 22,663,200	\$ 692,031,300	\$ 25,200,600	\$ 689,030	\$ 692,720,330	1.230	\$ 863,202,903
2008	17,062,800	583,095,900	6,600	69,103,400	234,200	21,200,000	690,702,900	25,948,500	700,788	691,403,688	1.270	856,015,461
2009	15,397,100	588,267,000	6,600	68,901,100	234,200	21,200,000	694,006,000	26,207,200	748,832	694,754,832	1.279	861,040,511
2010	14,412,100	582,566,100	6,600	68,131,300	234,200	21,200,000	686,550,300	26,302,000		686,550,300	1.280	838,688,370
2011	12,513,500	584,535,500	6,600	64,167,500	234,200	20,700,000	682,157,300	26,302,000		682,157,300	1.330	834,313,587
2012	12,418,800	582,055,600	6,600	63,866,600	234,200	20,700,000	679,281,800	26,302,000		679,281,800	1.361	757,281,828
2013	10,764,400	585,902,700	6,600	63,866,600	234,200	20,700,000	681,474,500	25,649,400		681,474,500	1.383	760,593,072
2014	9,834,500	589,915,700	6,500	63,866,600	234,200	20,700,000	684,557,500	25,110,900		684,557,500	1.404	754,562,774
2015	9,050,700	597,336,100	6,500	62,998,700	234,200	20,700,000	690,326,200	25,110,900		690,326,200	1.425	754,562,774
2016	8,615,000	598,737,300	6,500	63,553,700	234,200	20,700,000	691,846,700	26,318,600		691,846,700	1.456	755,909,710

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

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

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

Source: Municipal Tax Assessor.

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

Year Ended December 31,	Borough of Mount Arlington School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Mount Arlington	Morris County		
2007	\$ 1.196	\$ 0.034	\$ 1.230	\$ 0.420	\$ 0.290	\$	1.940
2008	1.238	0.032	1.270	0.572	0.289		2.131
2009	1.245	0.034	1.279	0.634	0.282		2.195
2010	1.247	0.033	1.280	0.633	0.283		2.196
2011	1.296	0.034	1.330	0.770	0.290		2.390
2012	1.327	0.034	1.361	0.794	0.288		2.443
2013	1.349	0.034	1.383	0.814	0.282		2.479
2014	1.370	0.034	1.404	0.834	0.282		2.520
2015	1.391	0.034	1.425	0.845	0.279		2.549
2016	1.423	0.033	1.456	0.845	0.279		2.580

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

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

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

Source: Municipal Tax Collector and School Business Administrator.

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

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Valley Road Development Urban Renewal #1	\$ 18,250,000	1	2.68%			
Valley Road Development Urban Renewal #2	18,250,000	2	2.68%			
Mount Arlington Investors, LLC	13,406,300	3	1.97%			
Mount Arlington Corporate Center #1	8,947,900	4	1.31%			
Carriage Club Investors, LLC	8,500,000	5	1.25%			
SNH NS Properties Trust	6,200,000	6	0.91%			
Valley Road Development Urban Renewal #3	5,250,000	7	0.77%			
Valley Road Development Urban Renewal #4	5,250,000	8	0.77%			
Orchards at Mt. Arlington LLC	5,198,100	9	0.76%			
Mount Arlington Corporate Center #2	4,910,200	10	0.72%			
Total	\$ 94,162,500		13.82%			Not Available

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 8,777,661	\$ 8,777,661	100.00%	-0-
2009	8,790,761	8,790,761	100.00%	-0-
2010	8,986,620	8,986,620	100.00%	-0-
2011	8,981,575	8,981,575	100.00%	-0-
2012	9,157,603	9,157,603	100.00%	-0-
2013	9,331,966	9,331,966	100.00%	-0-
2014	9,514,743	9,514,743	100.00%	-0-
2015	9,700,827	9,700,827	100.00%	-0-
2016	9,976,777	9,976,777	100.00%	-0-
2017	10,165,744	10,165,744	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2008	\$ 3,195,000	-0-	\$ 3,195,000	0.76%	\$ 561.81
2009	3,085,000	-0-	3,085,000	0.76%	540.00
2010	2,970,000	-0-	2,970,000	0.79%	589.52
2011	2,850,000	-0-	2,850,000	0.73%	562.13
2012	2,725,000	-0-	2,725,000	0.66%	530.05
2013	2,600,000	-0-	2,600,000	0.62%	503.49
2014	2,470,000	-0-	2,470,000	0.56%	471.19
2015	2,335,000	-0-	2,335,000	0.63%	546.71
2016	2,190,000	-0-	2,190,000	0.46%	401.47
2017	2,045,000	-0-	2,045,000	0.43%	374.89

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

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

Source: School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 3,195,000	\$ -0-	\$ 3,195,000	0.461%	\$ 561.81
2009	3,085,000	-0-	3,085,000	0.446%	540.00
2010	2,970,000	-0-	2,970,000	0.427%	589.52
2011	2,850,000	-0-	2,850,000	0.415%	562.13
2012	2,725,000	-0-	2,725,000	0.399%	530.05
2013	2,600,000	-0-	2,600,000	0.383%	503.49
2014	2,470,000	-0-	2,470,000	0.362%	471.19
2015	2,335,000	-0-	2,335,000	0.341%	546.71
2016	2,190,000	-0-	2,190,000	0.317%	401.47
2017	2,045,000	-0-	2,045,000	0.296%	374.89

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

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

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

Source: School District Financial Reports.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2016
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Mount Arlington	\$ 3,834,850	100.00%	\$ 3,834,850
Morris County General Obligation Debt	221,180,986	0.87%	<u>1,915,215</u>
Subtotal, Overlapping Debt			5,750,065
Borough of Mount Arlington School District Direct Debt			<u>2,045,000</u>
Total Direct and Overlapping Debt			<u>\$ 7,795,065</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized valuation basis
	2016 \$ 764,133,753
	2015 753,466,710
	2014 758,176,431
	<u>\$ 2,275,776,894</u>
	Average Equalized Valuation of Taxable Property
	Debt Limit (3% of average equalization value) ^a
	Net Bonded School Debt as of June 30, 2017
	<u>\$ 20,712,769</u>

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 23,645,119	\$ 25,365,260	\$ 26,049,678	\$ 25,813,119	\$ 25,272,883	\$ 23,970,944	\$ 23,087,634	\$ 22,658,156	\$ 22,757,769	\$ 22,757,769
Total Net Debt Applicable to Limit	3,195,000	3,085,000	2,970,000	2,850,000	2,725,000	2,600,000	2,470,000	2,335,000	2,190,000	2,045,000
Legal Debt Margin	<u>\$ 20,450,119</u>	<u>\$ 22,280,260</u>	<u>\$ 23,079,678</u>	<u>\$ 22,963,119</u>	<u>\$ 22,547,883</u>	<u>\$ 21,370,944</u>	<u>\$ 25,272,883</u>	<u>\$ 20,323,156</u>	<u>\$ 20,567,769</u>	<u>\$ 20,712,769</u>
Total Net Debt Applicable to the Limit	13.51%	12.16%	11.40%	11.04%	10.78%	10.85%	10.70%	10.31%	9.62%	8.99%
As a Percentage of Debt Limit										

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

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

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

Year	Population ^a	Personal Income ^b	Morris County Per Capita Personal Income ^c	Unemployment Rate ^d
2008	5,687	\$ 422,032,270	\$ 74,210	4.10%
2009	5,713	407,685,393	71,361	7.00%
2010	5,038	375,194,974	74,473	7.00%
2011	5,070	391,469,910	77,213	7.00%
2012	5,141	411,346,833	80,013	6.80%
2013	5,164	417,163,412	80,783	7.10%
2014	5,242	439,677,992	83,876	5.70%
2015	4,271	369,791,722	86,582	5.00%
2016	5,455	472,304,810	86,582 **	4.30%
2017	5,455 *	472,304,810 ***	86,582 **	N/A

* - Latest Morris County population available (2016) was used for calculation purposes.

** - Latest Morris County per capita personal income available (2015) was used for calculation purposes.

***- Latest available population data (2016) and latest Morris County per capita personal income (2015) was used for calculation purposes

N/A - Not Available

Source:

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

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

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

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

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

	2016		2007		Percentage of Total Employment
	Employer	Employees	Employer	Employees	
U.S. Army Armament Research and Development		5,841	Novartis	5,000	N/A
Novartis Corporation		5,035	Atlantic Health Systems	4,045	N/A
Atlantic Health System		4,463	U.S. Army Armament Research and Development	3,412	N/A
Autinatic Data Processing, Inc.		2,060	County of Morris	2,170	N/A
Bayer Healthcare, LLC		1,900	Lucent Technologies	1,983	N/A
County of Morris		1,674	United Parcel Service	1,941	N/A
Wyndham Worldwide Corporations		1,653	Wyndham Worldwide	1,371	N/A
St. Clare's		1,642	Greystone Psychiatric Center	1,296	N/A
BASF Corporation		1,500	Tiffany & Company	1,200	N/A
Accenture		1,480	Accenture	1,200	N/A
		<u>27,248</u>		<u>23,618</u>	N/A

N/A - Information not available

Source: Morris County Treasurer's Office

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

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction:								
Regular	26.0	26.2	26.2	28.2	30.8	29.1	29.6	29.9
Special Education	21.0	20.0	19.2	24.2	21.6	21.6	22.2	22.2
Other Special Instruction	1.5							
Support Services:								
Student & Instruction Related Services	4.5	2.9	2.1	1.0	1.3	3.9	3.9	3.9
General Administrative Services	1.5	1.5	1.5	1.3	1.3	1.4	1.6	1.6
School Administrative Services	4.0	1.7	2.0	2.0	2.0	1.8	2.0	2.0
Central Services	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5
Plant Operations and Maintenance	5.5	5.5	5.5	5.3	5.2	5.2	5.2	5.2
Pupil Transportation	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total	<u>66.5</u>	<u>60.1</u>	<u>58.8</u>	<u>63.8</u>	<u>64.0</u>	<u>64.7</u>	<u>66.3</u>	<u>66.6</u>

This schedule does not contain ten years of information as the information for all 10 years was not available.

Source: District Personnel Records.

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

Fiscal Year	Fiscal Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio			Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	High School				
2008	608.0	* \$ 9,637,239	\$ 15,851	5.29%	47.2	1:11	1:10	378.9	360.3	-7.04%	95.09%	
2009	578.5	* 9,817,922	16,971	7.07%	53.0	1:07	1:08	387.8	370.9	2.35%	95.64%	
2010	571.0	* 10,001,904	17,516	3.21%	48.5	1:07	1:08	383.3	364.8	-1.16%	95.17%	
2011	572.5	* 9,728,163	16,992	-2.99%	46.2	1:07	1:08	373.0	356.0	-2.69%	95.44%	
2012	553.0	* 9,453,416	17,095	0.60%	45.4	1:07	1:08	363.0	352.0	-2.68%	96.97%	
2013	535.0	* 9,710,007	18,150	6.17%	46.0	1:07	1:08	356.0	339.5	-1.93%	95.37%	
2014	486.0	* 10,144,017	20,872	15.00%	43.8	1:07	1:08	342.5	329.6	-3.79%	96.23%	
2015	516.0	* 10,719,870	20,775	-0.47%	39.9	1:07	1:08	347.3	332.2	1.41%	95.66%	
2016	522.0	* 10,650,241	20,403	-1.79%	39.9	1:07	1:08	346.4	331.4	-0.26%	95.67%	
2017	521.0	* 10,915,907	20,952	2.69%	39.9	1:07	1:08	351.5	335.8	1.47%	95.53%	

* - Includes High School Enrollment

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

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

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

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

Note: Enrollment based on annual October District count.

Source: Borough of Mount Arlington School District records.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>District Building</u>					
Edith M. Decker School (1975)					
Square Feet	24,094	24,094	24,094	24,094	24,094
Capacity (students)	142	142	142	142	142
Enrollment	133	127	130	123	120
Mount Arlington Public School (1917)					
Square Feet	49,138	49,138	49,138	49,138	49,138
Capacity (students)	339	339	339	339	339
Enrollment	257	248	247	250	243
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>District Building</u>					
Edith M. Decker School (1975)					
Square Feet	24,094	24,094	24,094	24,094	24,094
Capacity (students)	142	142	142	142	142
Enrollment	105	105	107	103	104
Mount Arlington Public School (1917)					
Square Feet	49,138	49,138	49,138	49,138	49,138
Capacity (students)	339	339	339	339	339
Enrollment	238	238	240	251	248

Number of Schools at June 30, 2017

 Elementary = 1

 Middle School = 1

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

Source: Borough of Mount Arlington School District Facilities Office.

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

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

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Edith M. Decker School	N/A	\$ 29,218	\$ 44,079	\$ 23,550	\$ 19,985	\$ 32,356
Mount Arlington School	N/A	98,738	53,144	90,845	144,649	64,712
Grand Total		<u>\$127,956</u>	<u>\$ 97,223</u>	<u>\$114,395</u>	<u>\$164,634</u>	<u>\$ 97,068</u>

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Edith M. Decker School	N/A	\$ 33,279	\$ 35,850	\$ 40,332	\$ 52,391	\$ 56,392
Mount Arlington School	N/A	57,082	77,150	98,251	89,201	158,653
Grand Total		<u>\$ 90,361</u>	<u>\$113,000</u>	<u>\$138,583</u>	<u>\$141,592</u>	<u>\$215,045</u>

N/A - Not Applicable.

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

Source: Mount Arlington Board of Education records.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

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

Source: Mount Arlington Board of Education records.

SINGLE AUDIT SECTION

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Mount Arlington School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 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 October 30, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

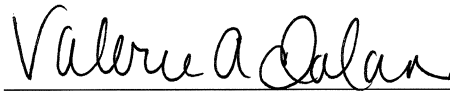
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

Mount Arlington, New Jersey
October 30, 2017

NISIVOCCIA LLP



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

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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Borough of Mount Arlington School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2017. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Mount Arlington, New Jersey
October 30, 2017

NISIVOCCIA LLP



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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Balance at June 30, 2017	
			From	To					Unearned Revenue/ (Accounts Receivable)	Due to Grantor
U.S. Department of Education -										
Passed-through State Department of Education:										
Special Revenue Fund:										
No Child Left Behind:										
Title I	84.010A	NCLB-3410-17	7/1/2016	6/30/2017	\$ 38,993	\$ 21,273	\$ (37,903)	\$ (16,630)		
Title I	84.010A	NCLB-3410-16	7/1/2015	6/30/2016	24,180	5,572				
Title IIA	84.367A	NCLB-3410-17	7/1/2016	6/30/2017	17,639	17,639	(17,639)			
Title III	83.365A	NCLB-3410-17	7/1/2016	6/30/2017	480		(480)			
						44,484	(56,022)	(17,110)		
Special Education Cluster:										
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3410-17	7/1/2016	6/30/2017	100,673		(100,673)	(100,673)		
I.D.E.A. Part B, Preschool	84.173	IDEA-3410-17	7/1/2016	6/30/2017	3,981		(3,981)	(3,981)		
Total Special Education Cluster							(104,654)	(104,654)		
Total U.S. Department of Education						44,484	(160,676)	(121,764)		
Total Special Revenue Fund						44,484	(160,676)	(121,764)		
U.S. Department of Agriculture -										
Passed-through State Department of Agriculture:										
Enterprise Fund										
Child Nutrition Cluster:										
Food Distribution Program	10.555	N/A	7/1/2016	6/30/2017	11,206	11,206	(10,231)		\$ 975	
Food Distribution Program	10.555	N/A	7/1/2015	6/30/2016	10,537		(553)			
School Breakfast Program	10.553	N/A	7/1/2016	6/30/2017	6,088	5,431	(6,088)	(657)		
School Breakfast Program	10.553	N/A	7/1/2015	6/30/2016	6,215	429				
National School Lunch Program	10.555	N/A	7/1/2016	6/30/2017	38,143	34,915	(38,143)	(3,228)		
National School Lunch Program	10.555	N/A	7/1/2015	6/30/2016	31,972	1,671	(1,671)			
						53,652	(55,015)	(3,885)	975	
Total U.S. Department of Agriculture/Child Nutrition Cluster						53,652	(55,015)	(3,885)	975	
Total Enterprise Fund						53,652	(55,015)	(3,885)	975	
TOTAL FEDERAL AWARDS						\$ 98,136	\$ (215,691)	\$ (125,649)	\$ 975	\$ -0-

N/A - Not Available/Applicable

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2017		MEMO Cumulative Total Expenditures
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	
State Department of Education:												
General Fund:												
Categorical Special Education Aid	17-495-034-5120-089	7/1/2016	6/30/2017	\$ 341,301		\$ 307,189	\$ (341,301)			\$ (34,112)	\$ 341,301	
Categorical Security Aid	17-495-034-5120-084	7/1/2016	6/30/2017	50,873		45,789	(50,873)			(5,084)	50,873	
Adjustment Aid	17-495-034-5120-085	7/1/2016	6/30/2017	84		76	(84)			(8)	84	
Categorical Transportation Aid	17-495-034-5120-014	7/1/2016	6/30/2017	140,194		126,182	(140,194)			(14,012)	140,194	
PARCC Readiness Aid	17-495-034-5120-098	7/1/2016	6/30/2017	4,625		4,163	(4,625)			(462)	4,625	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/2016	6/30/2017	4,625		4,163	(4,625)			(462)	4,625	
Professional Learning Community Aid	17-495-034-5120-101	7/1/2016	6/30/2017	4,780		4,302	(4,780)			(478)	4,780	
Extraordinary Special Education Costs Aid	17-495-034-5120-044	7/1/2016	6/30/2017	250,279			(250,279)		\$ (250,279)	(250,279)	250,279	
Nonpublic School Transportation Costs	17-495-034-5120-014	7/1/2016	6/30/2017	3,503			(3,503)		(3,503)	(3,503)	3,503	
Reimbursed TPAF Social Security Contributions	17-495-034-5095-003	7/1/2016	6/30/2017	219,207		208,824	(219,207)		(10,383)	(10,383)	219,207	
On-Behalf TPAF Post Retirement Medical Contributions	17-495-034-5094-001	7/1/2016	6/30/2017	286,032		286,032	(286,032)				286,032	
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/2016	6/30/2017	331,278		331,278	(331,278)				331,278	
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/2016	6/30/2017	12,003			(12,003)				12,003	
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/2016	6/30/2017	1,101		1,101	(1,101)				1,101	
Categorical Special Education Aid	16-495-034-5120-089	7/1/2015	6/30/2016	338,797		31,830					338,797	
Categorical Security Aid	16-495-034-5120-084	7/1/2015	6/30/2016	50,935		4,784	(4,784)				50,935	
Adjustment Aid	16-495-034-5120-085	7/1/2015	6/30/2016	84		8	(8)				84	
Categorical Transportation Aid	16-495-034-5120-014	7/1/2015	6/30/2016	137,936		12,960	(12,960)				137,936	
PARCC Readiness Aid	16-495-034-5120-098	7/1/2015	6/30/2016	4,625		435	(435)				4,625	
Per Pupil Growth Aid	16-495-034-5120-097	7/1/2015	6/30/2016	4,625		435	(435)				4,625	
Extraordinary Special Education Costs Aid	16-495-034-5120-044	7/1/2015	6/30/2016	207,571		207,571	(207,571)				207,571	
Nonpublic School Transportation Costs	16-495-034-5120-014	7/1/2015	6/30/2016	3,828		3,828	(3,828)				3,828	
Reimbursed TPAF Social Security Contributions	16-495-034-5095-003	7/1/2015	6/30/2016	219,036		10,649	(10,649)				219,036	
Total General Fund State Aid						1,603,602	(1,649,885)		(264,165)	(318,783)	2,617,322	
State Department of Education:												
Special Revenue Fund:												
Nonpublic Technology Initiative	16-100-034-5120-373	7/1/2015	6/30/2016	130					\$ 130			
Nonpublic Security Aid	16-100-034-5120-509	7/1/2015	6/30/2016	125					125			
Nonpublic Nursing Aid	16-100-034-5120-070	7/1/2015	6/30/2016	450					320			130
Total Special Revenue Fund									575			416
Total State Department of Education						1,603,602	(1,649,885)		(264,165)	(318,783)	2,617,738	

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2016		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2017		MEMO		
		From	To		Budgetary Unearned Revenue/(Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Agriculture:														
Enterprise Fund:														
State School Lunch Program	17-100-010-3350-023	7/1/2016	6/30/2017	\$ 1,442			\$ 1,315	\$ (1,442)		\$ (127)	\$	(127)	\$	1,442
State School Lunch Program	16-100-010-3350-023	7/1/2015	6/30/2016	1,294			67							1,357
Total State Department of Agriculture							<u>1,382</u>	<u>(1,442)</u>		<u>(127)</u>	<u>(127)</u>	<u>(127)</u>	<u>(127)</u>	<u>2,799</u>
Total Enterprise Fund							<u>1,382</u>	<u>(1,442)</u>		<u>(127)</u>	<u>(127)</u>	<u>(127)</u>	<u>(127)</u>	<u>2,799</u>
Total State Awards Subject to Single Audit Determination							<u>\$ 575</u>	<u>\$ 1,604,984</u>	<u>\$ (1,651,327)</u>	<u>\$ 575</u>	<u>\$ (264,292)</u>	<u>\$ -0-</u>	<u>\$ (318,910)</u>	<u>\$ 2,620,537</u>
Less: State Awards Not Subject to Single Audit Major Program Determination														
On-Behalf TPAF Pension System Contributions:														
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/2016	6/30/2017	286,032				286,032						
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/2016	6/30/2017	331,278				331,278						
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/2016	6/30/2017	12,003				12,003						
On-Behalf TPAF Long-Term Disability Insurance	17-495-034-5094-004	7/1/2016	6/30/2017	1,101				1,101						
Subtotal - On-Behalf TPAF Pension System Contributions								<u>630,414</u>						
Total State Awards Subject to Single Audit Major Program Determination								<u>\$ (1,020,913)</u>						

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Mount Arlington School District under programs of the federal and state governments for the fiscal year ended June 30, 2017. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Grant revenue in the capital projects fund is recognized on the budgetary basis in the fiscal year of award but is not recognized on the GAAP basis until expended and submitted for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$4,166) for the general fund and (\$551) for the special revenue fund which are for local grants and not included here. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,645,719	\$ 1,645,719
Special Revenue Fund	\$ 160,676		160,676
Food Service Enterprise Fund	<u>55,015</u>	<u>1,442</u>	<u>56,457</u>
Total Financial Assistance	<u>\$ 215,691</u>	<u>\$ 1,647,161</u>	<u>\$ 1,862,852</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

The Borough of Mount Arlington School District had no loan balances outstanding at June 30, 2017.

NOTE 7. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2017. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results:

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

<u>State:</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Categorical Special Education Aid	495-034-5120-089	7/1/16 - 6/30/17	\$ 341,301	\$ 341,301
Categorical Security Aid	495-034-5120-084	7/1/16 - 6/30/17	50,873	50,873
Adjustment Aid	495-034-5120-085	7/1/16 - 6/30/17	84	84
PARCC Readiness Aid	495-034-5120-098	7/1/16 - 6/30/17	4,625	4,625
Per Pupil Growth Aid	495-034-5120-097	7/1/16 - 6/30/17	4,625	4,625
Professional Learning Community Aid	495-034-5120-101	7/1/16 - 6/30/17	4,780	4,780

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

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

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

Findings and Questioned Costs for Federal Awards:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)

Findings and Questioned Costs for State Awards:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

The District had no prior year audit findings.