

**MILFORD BOROUGH
SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2018

**Responsibility of the Management of
Milford Borough School District
Hunterdon County, New Jersey**



**MILFORD BOROUGH
SCHOOL DISTRICT**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2018

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

*Dr. Rick Falkenstein
Superintendent*

*Michael Hesington
Principal*

*Heidi Gara
Business Administrator/
Board Secretary*

February 4, 2019

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

The comprehensive annual financial report of the Milford Borough School District (the District) for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

1) REPORTING ENTITY AND ITS SERVICES:

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. This includes regular, as well as special education for special need students. The district completed the 2017-2018 fiscal year with an enrollment of 75 students. The following details the changes in the student enrollment of the district over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment Student Enrollment</u>	<u>Percent Change</u>
2008-2009	103.3	-10.10%
2009-2010	106.1	2.71%
2010-2011	117.1	10.36%
2011-2012	122.0	4.18%
2012-2013	115.4	-5.41%
2013-2014	107.0	-7.28%
2014-2015	94.7	-11.50%
2015-2016	92.1	-2.75%
2016-2017	80.7	-12.38%
2017-2018	74.8	-7.31%

2) ECONOMIC CONDITION AND OUTLOOK:

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

3.) MAJOR INITIATIVES:

Milford Public School will continue to seek opportunities to provide students with an environment that grows students to their fullest potential. In the future we will implement Fountas and Pinnell reading assessment into our school culture. Students’ progress will be monitored on a Data Wall and quarterly meetings with ensure that students are securing a strong literacy foundation.

The district will also continue to implement Project Based Learning (PBL) into our classrooms. PBL is a great strategy to help students apply the content and knowledge to real world applications.

In addition, our preschool program includes paid regular education students to increase our revenues, as well as, offer a service to the community. The preschool program will make Milford Borough residents a priority, as well as expand inclusivity. We have been a choice school for several years and receive revenue for students who attend from other districts. The program will continue in the 2018-2019 school year.

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

4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balances in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2018.

6) ACCOUNTING SYSTEM AND REPORTS:

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

7) FINANCIAL INFORMATION AT FISCAL YEAR-END:

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management for the fiscal year ended June 30, 2018.

8) DEBT ADMINISTRATION:

At June 30, 2018 the District had outstanding debt issues of \$255,000 at an interest rate of 5.125%.

9) CASH MANAGEMENT:

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

10) RISK MANAGEMENT:

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

11) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of BKC, CPAs, PC, was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to single audit are included in the single audit section of this report.

12) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of Milford 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 services of our financial staff.

Respectfully submitted,

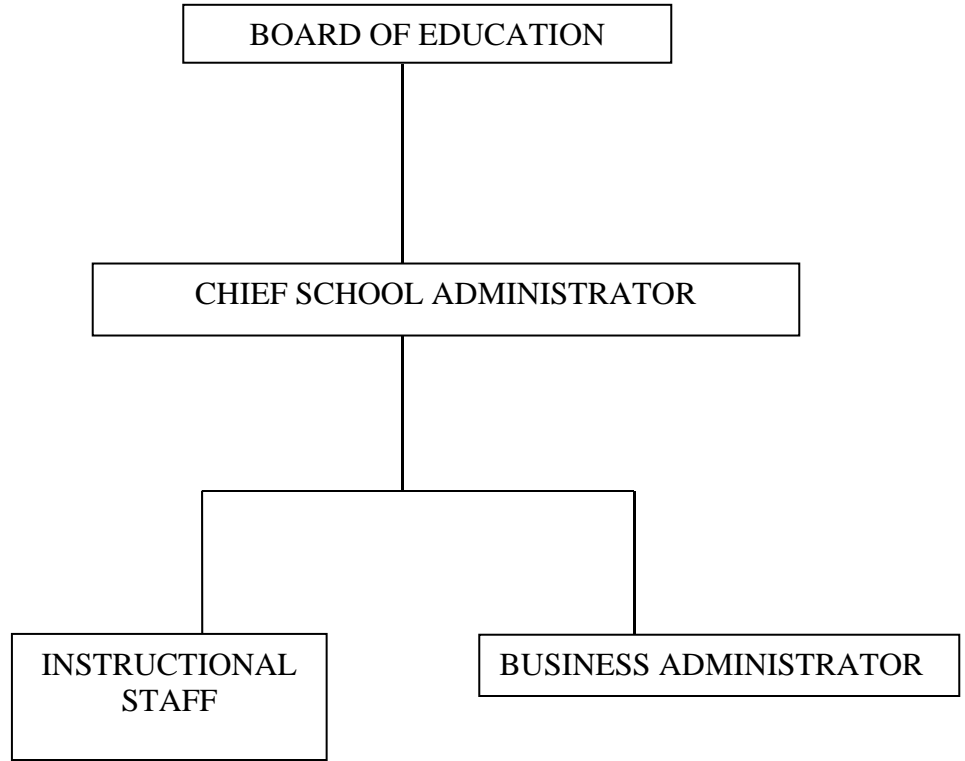


Dr. Rick Falkenstein
Superintendent



Heidi Gara
Business Administrator/Board Secretary

**MILFORD BOROUGH SCHOOL DISTRICT
ORGANIZATIONAL CHART
(UNIT CONTROL)**



MILFORD BOROUGH SCHOOL DISTRICT
Milford, New Jersey
Roster of Officials
June 30, 2018

Members of the Board of Education	Title	Term Expires
Teresa Kane	President	2020
Elizabeth Johnson	Vice-President	2019
Michelle Fisher		2018
Angela Caban		2019
Laura Hanson		2020

Other Officials

Edward Stoloski	Superintendent
Heidi Gara	Board Secretary/School Business Administrator
Todd Fay	Principal
Raymond B. Krov	School Treasurer

MILFORD BOROUGH SCHOOL DISTRICT
Milford, New Jersey
Consultants & Advisors
June 30, 2018

AUDIT FIRM

BKC, CPAs, PC
114 Broad Street
Flemington, NJ 08822

ARCHITECTS

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

ATTORNEY

Comengo Law Group
521 Pleasant Valley Avenue
Moorestown, NJ 08057

OFFICIAL DEPOSITORY

PNC Bank
PO Box 746
Keene, NH 03431



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

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Milford Borough School District (the District) in the County of Hunterdon, as of and for the year ended June 30, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Milford Borough School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedules Related to Accounting and Reporting for Pensions, and Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's Basic Financial Statements. The introduction section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are also not a required part of the basic financial statements.

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

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

The introduction and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2019 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.


BKC, CPAs, PC


Michael A. Holk, CPA, PSA

February 4, 2019
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

MILFORD BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The discussion and analysis of Milford Borough School District's, (the School District), financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position increased \$128,929, which represents a 18.30% increase from 2017.
- General revenues accounted for \$3,197,574 in revenue or 96.24% of all revenues. Program specific revenues in the form of operating grants and contributions and capital grants and contributions accounted for \$124,806 or 3.76% of total revenues of \$3,322,380.
- Total assets of governmental activities increased by \$153,580. As cash and cash equivalents increased by \$147,389, receivables and other assets increased by \$14,928 and capital assets decreased by \$8,737.
- The School District had \$3,193,451 in expenses; only \$124,806 of these expenses was offset by program specific charges, grants or contributions. General revenues (primarily property taxes) of \$3,197,574, were adequate to provide for these expenses.
- Among major funds, the General Fund had \$2,588,803 in revenues, \$2,388,151 in expenditures. After factoring in other financing sources out of \$12,000, the General Fund's balance increased \$188,652 from 2017.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

MILFORD BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds measure and report the operating results by measuring cash on hand and other assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides.

MILFORD BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position at June 30, 2018 compared to June 30, 2017.

Table 1
Net Position

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
Assets				
Current & other assets	\$ 717,977	\$ 550,697	\$ 167,280	30.38%
Capital assets	1,102,486	1,111,768	(9,282)	-0.83%
Total assets	<u>1,820,463</u>	<u>1,662,465</u>	<u>157,998</u>	9.50%
Deferred pension activity				
Total deferred outflow of resources	<u>334,448</u>	<u>396,064</u>	<u>(61,616)</u>	-15.56%
Liabilities				
Long-term liabilities	1,116,586	1,269,527	(152,941)	-12.05%
Other liabilities	36,968	64,063	(27,095)	-42.29%
Total liabilities	<u>1,153,554</u>	<u>1,333,590</u>	<u>(180,036)</u>	-13.50%
Deferred pension activity				
Total deferred inflow of resources	<u>168,081</u>	<u>20,592</u>	<u>147,489</u>	716.24%
Net position				
Net investment in capital assets	847,486	826,768	20,718	2.51%
Restricted	423,102	273,102	150,000	54.92%
Unrestricted	<u>(437,312)</u>	<u>(395,523)</u>	<u>(41,789)</u>	-10.57%
Total net position	<u>\$ 833,276</u>	<u>\$ 704,347</u>	<u>\$ 128,929</u>	18.30%

Total assets increased \$157,998. Cash and cash equivalents increased by \$152,416, receivables and other assets increased by \$14,864 and capital assets decreased by \$9,282. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District decreased by \$41,789.

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

MILFORD BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

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

Table 2 shows the changes in net position for the fiscal year ended June 30, 2018 compared to June 30, 2017.

Table 2
Changes in Net Position

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
Revenues				
Program revenues				
Charges for services	\$ 73,526	\$ 58,105	\$ 15,421	26.54%
Operating grants and contributions	51,280	62,313	(11,033)	-17.71%
General revenues				
Property taxes	1,931,752	1,901,163	30,589	1.61%
Grants and entitlements	1,256,393	957,761	298,632	31.18%
Other	9,429	(610)	10,039	1645.74%
Total revenues	<u>3,322,380</u>	<u>2,978,732</u>	<u>343,648</u>	11.54%
Expenses				
Instruction				
Regular	1,456,266	1,301,717	154,549	11.87%
Special	218,876	171,231	47,645	27.82%
Other	95,891	47,624	48,267	101.35%
Support services				
Tuition	71,587	119,434	(47,847)	-40.06%
Student & instructional related services	657,733	628,549	29,184	4.64%
General & business administration	140,058	138,204	1,854	1.34%
School administration	79,641	81,600	(1,959)	-2.40%
Maintenance	339,768	323,959	15,809	4.88%
Transportation	91,312	160,778	(69,466)	-43.21%
Food service	27,361	31,811	(4,450)	-13.99%
Interest on long-term debt	14,958	16,496	(1,538)	-9.32%
Total expenses	<u>3,193,451</u>	<u>3,021,403</u>	<u>172,048</u>	5.69%
Increase (decrease) in net position	<u>\$ 128,929</u>	<u>\$ (42,671)</u>	<u>\$ 171,600</u>	402.15%

Governmental Activities

Local property taxes made up 58.14% of revenues for governmental activities for the Milford School District for fiscal year 2018.

Instruction comprises 55.46% of district expenses. Support services expenses and debt service make up 44.54% of the expenses.

MILFORD BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 provides a summary of the School District's cost of governmental services in fiscal year ending June 30, 2018 compared to June 30, 2017.

Table 3
Cost of Governmental Services

	Total Cost of Services		Net Cost of Services	
	06/30/2018	06/30/2017	06/30/2018	06/30/2017
Instruction	\$ 1,771,033	\$ 1,520,572	\$ 1,697,208	\$ 1,464,117
Support Services				
Tuition	71,587	119,434	45,322	89,688
Student & instructional staff	657,733	628,549	656,601	622,145
General & business administration	140,058	138,204	140,058	138,204
School administration	79,641	81,600	79,641	81,600
Plant operations & maintenance	339,768	323,959	336,018	320,309
Pupil transportation	91,312	160,778	91,312	160,778
Food services	27,361	31,811	7,527	7,648
Interest on long-term debt	14,958	16,496	14,958	16,496
Total expenses	<u>\$ 3,193,451</u>	<u>\$ 3,021,403</u>	<u>\$ 3,068,645</u>	<u>\$ 2,900,985</u>

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

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

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

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

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

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

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

The dependence upon tax revenues is apparent. For all activities general revenue support is 96.24%. The community, as a whole, is the primary support for the Milford Borough School District.

MILFORD BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

The Schools District's Funds

Information about the School District's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,676,788 and expenditures of \$2,476,136. The General Fund had an increase in fund balance of \$188,652.

General Fund Budgeting Highlights

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

During the course of fiscal year 2018, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue was \$60,439, over the original budgeted estimates of \$2,266,164. This difference was due primarily to additional tuition revenue and interest earnings.

Capital Assets

At the end of the fiscal year 2018, the School District had \$1,102,486 invested in land, building, furniture and equipment and vehicles. Table 4 shows June 30, 2018 compared to June 30, 2017.

Table 4
Capital Assets (Net of Depreciation)

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
Land	\$ 26,248	\$ 26,248	\$ -	
Construction in progress	-	45,369	(45,369)	-100.00%
Buildings & improvements	1,052,017	1,012,177	39,840	3.94%
Vehicles & equipment	24,221	27,974	(3,753)	-13.42%
	<u>\$ 1,102,486</u>	<u>\$ 1,111,768</u>	<u>\$ (9,282)</u>	-0.83%

Overall capital assets decreased \$9,282 from fiscal year 2017 to fiscal year 2018. Increases in capital assets (primarily buildings and improvements, machinery and equipment) were offset by depreciation expenses for the year.

MILFORD BOROUGH SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018
Unaudited

Long-term liabilities

At June 30, 2018, the School District had \$1,116,586 of outstanding long-term liabilities. This amount is detailed in Table 5 below for June 30, 2018 compared to June 30, 2017.

Table 5
Long-Term Liabilities at Year End

	06/30/2018	06/30/2017	Variance	
			Dollars	Percent
2009 Bond issue	\$ 255,000	\$ 285,000	\$ (30,000)	-10.53%
Compensated absences	96,991	67,028	29,963	44.70%
PERS net pension liability	764,595	917,499	(152,904)	-16.67%
	<u>\$ 1,116,586</u>	<u>\$ 1,269,527</u>	<u>\$ (152,941)</u>	<u>-12.05%</u>

For the Future

Milford Borough School District continues to monitor the fiscal health of the organization. The reduction in state aid and increasing expenses is a major concern to the community and district.

The recent change in shared services is an opportunity to make some adjustments and identify future cost savings. Increasing student enrollment continues to be a priority and we hope the recent changes in program will attract new residence and possible School Choice students.

In Conclusion, Milford Borough School District is committed to providing our students and community with an exceptional experience while being sensitive to cost to the community. The challenges being placed on the district requires the administration and board to think creatively to address our concerns.

Contacting the School District's Financial Management

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

DISTRICT-WIDE FINANCIAL STATEMENTS

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

MILFORD BOROUGH SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash & cash equivalents	\$ 236,849	\$ 448	\$ 237,297
Due from other funds	-	11,499	11,499
Receivables, net	45,340	306	45,646
Inventory	-	433	433
Restricted assets			
Capital reserve - cash	329,036	-	329,036
Emergency reserve - cash	19,066	-	19,066
Maintenance reserve - cash	75,000	-	75,000
Capital assets, net			
Land	26,248	-	26,248
Other capital assets, net of depreciation	1,072,991	3,247	1,076,238
Total assets	1,804,530	15,933	1,820,463
Deferred outflows of resources			
Deferred amount on pension activity	334,448	-	334,448
Liabilities			
Due to other funds	10,899	-	10,899
Accounts payable	12,951	-	12,951
Accrued interest	5,990	-	5,990
Unearned revenue	6,695	433	7,128
Long-term liabilities			
Due within one year	30,000	-	30,000
Due beyond one year	1,086,586	-	1,086,586
Total liabilities	1,153,121	433	1,153,554
Deferred inflows of resources			
Deferred amount on pension liability	168,081	-	168,081
Net position			
Net investment in capital assets	844,239	3,247	847,486
Restricted for			
Capital reserve	329,036	-	329,036
Emergency reserve	19,066	-	19,066
Maintenance reserve	75,000	-	75,000
Unrestricted	(449,565)	12,253	(437,312)
Total net position	\$ 817,776	\$ 15,500	\$ 833,276

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 796,026	\$ 660,240	\$ 57,075	\$ 14,534	\$ -	\$ (1,384,657)	\$ -	\$ (1,384,657)
Special education	117,169	101,707	-	2,216	-	(216,660)	-	(216,660)
Other instruction	19,989	75,902	-	-	-	(95,891)	-	(95,891)
Support services								
Tuition	71,587	-	-	26,265	-	(45,322)	-	(45,322)
Students & instruction related services	386,194	271,539	-	1,132	-	(656,601)	-	(656,601)
General & business administration services	114,562	25,496	-	-	-	(140,058)	-	(140,058)
School administration services	40,444	39,197	-	-	-	(79,641)	-	(79,641)
Plant operations & maintenance	190,973	148,795	3,750	-	-	(336,018)	-	(336,018)
Pupil transportation	61,949	29,363	-	-	-	(91,312)	-	(91,312)
Interest on long-term debt	14,958	-	-	-	-	(14,958)	-	(14,958)
Total governmental activities	<u>1,813,851</u>	<u>1,352,239</u>	<u>60,825</u>	<u>44,147</u>	<u>-</u>	<u>(3,061,118)</u>	<u>-</u>	<u>(3,061,118)</u>
Business-type activities								
Food service	27,361	-	12,701	7,133	-	-	(7,527)	(7,527)
Total business-type activities	<u>27,361</u>	<u>-</u>	<u>12,701</u>	<u>7,133</u>	<u>-</u>	<u>-</u>	<u>(7,527)</u>	<u>(7,527)</u>
Total primary government	<u>\$ 1,841,212</u>	<u>\$ 1,352,239</u>	<u>\$ 73,526</u>	<u>\$ 51,280</u>	<u>\$ -</u>	<u>(3,061,118)</u>	<u>(7,527)</u>	<u>(3,068,645)</u>
General revenues, special items & transfers								
Property taxes levied for general purposes						1,887,914	-	1,887,914
Property taxes levied for debt service						43,838	-	43,838
Federal & state aid not restricted						1,256,393	-	1,256,393
Miscellaneous income						9,429	-	9,429
Transfers						(12,000)	12,000	-
Total general revenues, special items & transfers						<u>3,185,574</u>	<u>12,000</u>	<u>3,197,574</u>
Change in net position						124,456	4,473	128,929
Net position - beginning						693,320	11,027	704,347
Net position - ending						<u>\$ 817,776</u>	<u>\$ 15,500</u>	<u>\$ 833,276</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

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

MILFORD BOROUGH SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2018

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 236,849	\$ -	\$ -	\$ -	\$ 236,849
Due from other funds	7,408	-	-	-	7,408
Receivables from other governments					
Local	3,750	-	-	6,534	10,284
State	33,936	-	-	-	33,936
Federal	-	469	-	-	469
Other accounts receivable	433	218	-	-	651
Restricted cash & cash equivalents	423,102	-	-	-	423,102
Total assets	\$ 705,478	\$ 687	\$ -	\$ 6,534	\$ 712,699
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ 11,499	\$ 274	\$ -	\$ 6,534	\$ 18,307
Accounts payable	12,538	413	-	-	12,951
Unearned revenue	6,695	-	-	-	6,695
Total liabilities	30,732	687	-	6,534	37,953

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2018

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital reserve	\$ 329,036	\$ -	\$ -	\$ -	\$ 329,036
Emergency reserve	19,066	-	-	-	19,066
Maintenance reserve	75,000	-	-	-	75,000
Assigned fund balance					
Additional assigned fund balance - unreserved - designated for subsequent year's expenditures July 1, 2018-August 1, 2018	9,908	-	-	-	9,908
Unassigned fund balance	241,736	-	-	-	241,736
Total fund balances	674,746	-	-	-	674,746
 Total liabilities and fund balances	 \$ 705,478	 \$ 687	 \$ -	 \$ 6,534	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$1,693,847 and the accumulated depreciation is \$594,608.	1,099,239
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	166,367
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,116,586)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(5,990)
Total net position of governmental activities	\$ 817,776

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 1,887,914	\$ -	\$ -	\$ 43,838	\$ 1,931,752
Other local governmental units	3,750	-	-	-	3,750
Tuition charges					
Individuals	57,075	-	-	-	57,075
Miscellaneous	9,429	810	-	-	10,239
Total local sources	<u>1,958,168</u>	<u>810</u>	<u>-</u>	<u>43,838</u>	<u>2,002,816</u>
State sources	630,635	-	-	-	630,635
Federal sources	-	43,337	-	-	43,337
Total revenues	<u>2,588,803</u>	<u>44,147</u>	<u>-</u>	<u>43,838</u>	<u>2,676,788</u>
Expenditures					
Current					
Instructional					
Regular instruction	781,492	14,534	-	-	796,026
Special education instruction	114,953	2,216	-	-	117,169
Other instruction	19,989	-	-	-	19,989
Support service & undistributed costs					
Tuition	45,322	26,265	-	-	71,587
Student & instruction related services	385,062	1,132	-	-	386,194
General & business administrative services	114,562	-	-	-	114,562
School administrative services	40,444	-	-	-	40,444
Plant operations & maintenance	190,973	-	-	-	190,973
Pupil transportation	61,949	-	-	-	61,949
Unallocated benefits	601,184	-	-	-	601,184

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 30,396	\$ -	\$ -	\$ -	\$ 30,396
Debt service					
Principal	-	-	-	30,000	30,000
Interest & other charges	1,825	-	-	13,838	15,663
Total expenditures	<u>2,388,151</u>	<u>44,147</u>	<u>-</u>	<u>43,838</u>	<u>2,476,136</u>
Excess (deficit) of revenues over (under) expenditures	<u>200,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,652</u>
Other financing sources (uses)					
Transfers out	<u>(12,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,000)</u>
Total other financing sources (uses)	<u>(12,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,000)</u>
Net change in fund balance	188,652	-	-	-	188,652
Fund balances, July 1	<u>486,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>486,094</u>
Fund balances, June 30	<u>\$ 674,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 674,746</u>

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Total net changes in fund balances - governmental fund (from B-2) \$ 188,652

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 expenses. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 30,396	
Depreciation expense	<u>(39,133)</u>	(8,737)

Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position & are not reported in the Statement of Activities:

Debt principal payments 30,000

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

(56,201)

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds, interest is reported when due. The accrued interest is a reconciling item.

705

In the Statement of Activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.

(29,963)

Change in net position of governmental activities \$ 124,456

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2018

	<u>Food Service Fund</u>
Assets	
Current assets	
Cash & cash equivalents	\$ 448
Receivables from other governments	
State	14
Federal	292
Due from other funds	11,499
Inventory	433
Total current assets	<u>12,686</u>
Noncurrent assets	
Capital assets	22,397
Less: accumulated depreciation	19,150
Total noncurrent assets	<u>3,247</u>
Total assets	<u>15,933</u>
Liabilities	
Current liabilities	
Unearned revenues - commodities	433
Total liabilities	<u>433</u>
Net position	
Net investment in capital assets	3,247
Unrestricted	12,253
Total net position	<u>\$ 15,500</u>

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Food Service Fund</u>
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 11,026
Daily sales - non-reimbursable programs	1,675
Total operating revenues	<u>12,701</u>
Operating expenses	
Cost of sales - reimbursable programs	7,851
Cost of sales - non-reimbursable programs	9,785
Commodity food costs	1,398
Salaries	4,091
Support services - employee benefits	587
Purchased professional/technical services	305
Other purchased services	
Insurance	739
Management fee	2,000
Depreciation	545
Miscellaneous expenditures	60
Total operating expenses	<u>27,361</u>
Operating income (loss)	<u>(14,660)</u>
Non-operating revenues (expenses)	
State sources	
State school lunch program	261
Federal sources	
National school lunch program	
Cash assistance	5,474
Non-cash assistance (commodities)	1,398
Other sources (uses)	
Operating transfer in	<u>12,000</u>
Total non-operating revenues (expenses)	<u>19,133</u>
Change in net position	4,473
Net position, beginning	<u>11,027</u>
Net position, ending	<u><u>\$ 15,500</u></u>

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

	Food Service Fund
Cash flows from operating activities	
Receipts from customers (net)	\$ 12,701
Payments to Food Service Management Company	(9,277)
Payments to vendors (net)	(16,141)
Net cash provided by (used for) operating activities	(12,717)
 Cash flows from non-capital financing activities	
State sources	260
Federal sources	5,484
Operating transfer in (out)	501
Net cash provided by (used for) non-capital financing activities	6,245
 Net increase (decrease) in cash and cash equivalents	(6,472)
 Cash and cash equivalents, beginning	6,920
 Cash and cash equivalents, ending	\$ 448
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (14,660)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	545
Federal food donation program	1,398
(Increase) decrease in inventory	55
Increase (decrease) in deferred revenue	(55)
Net cash provided by (used for) operating activities	\$ (12,717)

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2018

	<u>Unemployment Compensation Fund</u>	<u>Student Activity Agency Fund</u>	<u>Payroll Agency Fund</u>
Assets			
Cash & cash equivalents	\$ 35,268	\$ 7,316	\$ 20,813
Total assets	<u>\$ 35,268</u>	<u>\$ 7,316</u>	<u>\$ 20,813</u>
Liabilities			
Accounts payable	\$ 27	\$ -	\$ -
Due to student groups	-	7,316	-
Payroll deductions & withholdings	-	-	20,813
Total liabilities	<u>27</u>	<u>\$ 7,316</u>	<u>\$ 20,813</u>
Net position			
Held in trust for unemployment claims & other purposes	<u>\$ 35,241</u>		

See accompanying notes to financial statements.

MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee contributions	\$ 2,299
Investment earnings - interest	<u>60</u>
Total additions	2,359
Deductions	
Unemployment claims	<u>1,508</u>
Change in net position	851
Net position, beginning of the year	<u>34,390</u>
Net position, end of the year	<u><u>\$ 35,241</u></u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

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

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

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of five members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2018 of 80 students.

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

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

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

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

The District reports the following major governmental funds:

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

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board Resolution.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

Capital Projects Fund - The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

Additionally, the District reports the following fund types:

Proprietary fund types

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

Enterprise Fund - The enterprise fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's enterprise fund is comprised of the food service fund.

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

Fiduciary Fund Types

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

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

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

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

D. Budgets/budgetary control

Annual appropriated budgets are prepared in the Spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line-item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum Chart of Accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board Resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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

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

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

F. Tuition receivable

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

G. Tuition payable

Tuition charges for the fiscal years 2017-2018 and 2016-2017 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable and payables

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

J. Capital assets

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

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

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

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

K. Compensated absences

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board Statement Number 16 (GASB 16), Accounting for Compensated Absences. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

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

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

L. Unearned revenue

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

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

M. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Net position

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

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

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

O. Fund balances - governmental funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

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

P. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates.

Q. Allocation of indirect expenses

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

R. Deferred outflows/inflows of resources

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes

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

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

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

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

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

Note 3 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, and cash in banks. As of June 30, 2018, the District had no investments.

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

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

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

N.J.S.A. 17:9-41 e.t. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured.

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

As of June 30, 2018, the District's bank balances were exposed to custodial credit risk as follows:

Insured by the FDIC	\$	250,000
Insured by GUDPA		547,351
Total bank balances	\$	<u>797,351</u>

Deposits at June 30, 2018 appear in the financial statements as summarized below:

Cash		\$	<u>723,796</u>
	<u>Ref.</u>		
Unrestricted cash			
Governmental funds, Balance Sheet	B-1	\$	236,849
Enterprise funds, Statement of Net Position	B-4		448
Fiduciary funds, Statement of Net Position	B-7		63,397
Restricted cash			
Governmental funds, Balance Sheet	B-1		423,102
Total cash		\$	<u>723,796</u>

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 26,248	\$ -	\$ -	\$ 26,248
Construction in progress	45,369	-	45,369	-
Total	<u>71,617</u>	<u>-</u>	<u>45,369</u>	<u>26,248</u>
Capital assets, being depreciated				
Land improvements	74,250	-	-	74,250
Building & improvements	1,406,582	68,323	-	1,474,905
Vehicles & equipment	111,002	7,442	-	118,444
Total	<u>1,591,834</u>	<u>75,765</u>	<u>-</u>	<u>1,667,599</u>
Accumulated depreciation				
Land improvements	74,250	-	-	74,250
Building & improvements	394,405	31,730	-	426,135
Vehicles & equipment	86,820	7,403	-	94,223
Total	<u>555,475</u>	<u>39,133</u>	<u>-</u>	<u>594,608</u>
Total capital assets, being depreciated, net	1,036,359	36,632	-	1,072,991
Transfers	-	(45,369)	(45,369)	-
Governmental activities capital assets, net	<u>\$ 1,107,976</u>	<u>\$ (8,737)</u>	<u>\$ -</u>	<u>\$ 1,099,239</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities				
Furniture & equipment	\$ 22,397	\$ -	\$ -	\$ 22,397
Less: accumulated depreciation	18,605	545	-	19,150
Business type activities capital assets, net	<u>\$ 3,792</u>	<u>\$ (545)</u>	<u>\$ -</u>	<u>\$ 3,247</u>

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

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

Instruction	
Regular	\$ 18,047
Special education	3,252
Other instruction	453
Support services	
Student & instruction	1,028
General & business administration	8,756
School administration	2,597
Transportation	5,000
Total depreciation expense, governmental activities	\$ 39,133

Note 5 - Long-term debt

Long-term liability activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 285,000	\$ -	\$ 30,000	\$ 255,000	\$ 30,000
Compensated absences payable	67,028	29,963	-	96,991	-
PERS net pension liability	917,499	-	152,904	764,595	-
Total governmental activities long-term liabilities	\$ 1,269,527	\$ 29,963	\$ 182,904	\$ 1,116,586	\$ 30,000

Payments on the general obligation bonds are made in the debt service fund from property taxes and state aid. The other long-term debts are paid in the current expenditures budget of the District's general fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2018, including interest payments are listed as follows:

Year ended June 30,	Principal	Interest	Total
2019	\$ 30,000	\$ 12,300	\$ 42,300
2020	35,000	10,634	45,634
2021	35,000	8,841	43,841
2022	35,000	7,047	42,047
2023	40,000	5,125	45,125
2024 - 2025	80,000	4,100	84,100
Total	\$ 255,000	\$ 48,047	\$ 303,047

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

General Obligation Bonds - General obligation school building bonds payable at June 30, 2018, with their outstanding balances are comprised of the following individual issues:

\$480,000 - 2009 general obligation school building bonds, due in annual installments of \$25,000 to \$40,000, beginning July 15, 2010, through July 15, 2024, interest at 4.00% to 5.125%.	<u>\$ 255,000</u>
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The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2018 is \$3,523,734. General obligation debt at June 30, 2018 is \$255,000, resulting in a legal debt margin of \$3,268,734.

Note 6 - Pension plans

Description of systems

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

Plan description

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
A. Public employees' retirement systems (PERS) (continued)
Plan description (continued)

The following represents the membership tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2017.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Plan description (continued)

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15-years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2017:

	2017
Total pension liability	\$ 1,473,206
Plan fiduciary net position	708,611
Net pension liability	\$ 764,595

Plan fiduciary net position as a percentage of the total pension liability 48.10%

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

Inflation rate	2.25%
Salary increases (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.00%

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back two years for males and seven 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. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one 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 three years for males and set forward one year for females).

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information (continued)

Components of net pension liability (continued)

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the rate in the most recent State fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

The following presents the collective net pension liability of the District as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District's Proportionate Share of the Net Pension Liability</u>	2017
At current discount rate (5.00%)	\$ 764,595
At a 1% lower rate (4.00%)	948,531
At a 1% higher rate (6.00%)	611,352

Collective deferred outflows of resources and deferred inflows of resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,004	\$ -
Changes of assumptions	154,039	153,475
Net difference between projected and actual earnings on pension plan investments	5,206	-
Changes in proportion and differences between District contributions and proportionate share of contributions	126,771	14,606
District contributions subsequent to the measurement date	30,428	-
Total	\$ 334,448	\$ 168,081

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

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

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e., for the school year ended June 30, 2018, the plan measurement date is June 30, 2017) of \$30,428 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Deferred outflows of resources				
Differences between expected and actual experience	\$ 18,091	\$ 5,584	\$ 5,671	\$ 18,004
Changes of assumptions	201,511	-	47,472	154,039
Differences between projected and actual investment earnings on pension plan investments	37,094	(32,773)	(885)	5,206
Deferred inflows of resources				
Changes in assumptions	-	(187,733)	(34,258)	(153,475)
Net of deferred outflows	<u>\$ 256,696</u>	<u>\$ (214,922)</u>	<u>\$ 18,000</u>	<u>\$ 23,774</u>

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

<u>Year Ended June 30,</u>	
2018	\$ 17,999
2019	27,161
2020	16,458
2021	(21,890)
2022	(15,954)
Total	<u>\$ 23,774</u>

Pension expense

For the year ended June 30, 2018, the District recognized net pension expense of \$86,647, which represents the District's proportionate share of allocable plan pension expense of \$55,149, plus the net amortization of deferred amounts from changes in proportion of \$34,405, and less other adjustments to the net pension liability of \$2,907. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ended June 30, 2017 are as follows:

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 -

Pension plan (continued)

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

Pension expense (continued)

Service cost	\$	35,662
Interest on total pension liability		64,715
Member contributions		(16,964)
Administrative expense		444
Expected investment return net of investment expense		(46,206)
Pension expense related to specific liabilities of individual employers		(502)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		13,214
Amortization of expected versus actual experience		5,671
Amortization of projected versus actual investment earnings on pension plan investments		(885)
Pension expense	\$	55,149

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

Plan description

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

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Plan description (continued)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State fiscal year 2017, the State's pension contribution was less than the actuarial determined amount.

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ended June 30, 2017, the State of New Jersey contributed \$87,264 to the TPAF for normal pension benefits on behalf of the District.

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Special funding situation (continued)

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal year ended June 30, 2017 is as follows:

	2017
State's proportionate share of net pension liability	\$ 5,239,618
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	362,974
Non-employer contribution	87,264
Allocable proportionate percentage	.0077711925%

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the District for the year ended June 30, 2017 are as follows:

Service cost	\$ 234,509
Interest on total pension liability	255,901
Member contributions	(61,230)
Administrative expense	923
Expected investment return net of investment expense	(124,424)
Pension expense related to specific liabilities of individual employers	(28)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	56,045
Amortization of expected versus actual experience	4,129
Amortization of projected versus actual investment earnings on pension plan investments	(2,851)
Pension expense	\$ 362,974

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

As detailed earlier, the District was not required to report a liability for its proportionate share of net pension expense for TPAF due to a special funding situation. The State's proportionate share of the net pension liability for TPAF as of June 30, 2017 is as follows:

	2017
Total pension liability	\$ 7,024,827
Plan fiduciary net position	1,785,209
Net pension liability	\$ 5,239,618

Plan fiduciary net position as a percentage of the total pension liability 25.41%

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

Inflation rate	2.25%
Salary increases (based on age)	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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

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

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

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

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount rate

The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the rate in the most recent State fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

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

The following presents the collective net pension liability of the District as of June 30, 2017, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2017</u>
At current discount rate (4.25%)	\$ 5,239,618
At a 1% lower rate (3.25%)	6,224,831
At a 1% higher rate (5.25%)	4,427,996

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2018) but who earn salary of at least \$5,000 annually are eligible to participate. The Program Administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcrp.

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's contribution to the DCRP for fiscal year ended 2018 was \$1,002.

D. Other pension plan information

During the year ended June 30, 2018, the State of New Jersey contributed \$76,807 to the TPAF for post-retirement medical benefits, \$2,817 for non-contributory insurance premiums, \$223 for long-term disability insurance, and \$116,101 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$66,252 during the year ended June 30, 2018 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Chapter 6 of PL 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25-years of credited service or on a disability retirement. Chapter 103 of PL 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2017, there were 112,966 statewide retirees eligible for post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62 of PL 1994. Funding of post-retirement medical premiums are on a pay-as-you-go basis.

The State is also responsible for the cost attributable to Chapter 126 of PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a School District or County College with 25-years of service. In fiscal year 2017, the State paid \$238.9 million toward Chapter 126 of PL 1992 benefits for 20,913 eligible retired members.

GASB Statement No. 75 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

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

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

Funding Policy - Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

Total OPEB liability - Under a special funding situation, the State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Therefore, the following OPEB liability note information is reported at the State's level and is not accrued by the District.

Total OPEB liability

For purposes of reporting required GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the District's proportionate share of allocable OPEB liability and employer OPEB expense and related revenue as of June 30, 2017 is as follows:

	2017
State's proportionate share of the OPEB liability	\$ 53,639,841,858
District's proportionate share of the State's OPEB liability	4,769,733
Employer pension expense and related revenue	262,784
Allocable proportionate percentage	.008892146%

Changes in the total OPEB liability

	Total OPEB Liability
Total OPEB liability at June 30, 2016	\$ 5,133,113
Service cost	176,854
Interest cost	149,828
Change of benefit terms	-
Differences between expected and actual experiences	-
Changes of assumptions	(583,653)
Member contributions	4,068
Gross benefit payments	(110,477)
Total OPEB liability at June 30, 2017	\$ 4,769,733

There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

Total OPEB Liability (continued)

The total non-employer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total non-employer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate		2.50%
	TPAF	PERS
	(based on years of service)	(based on age)
Salary increases	1.55% - 4.55%	2.15% - 4.15%
Through 2026	2.00% - 5.45%	3.15% - 5.15%
Thereafter		

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

Health care trend assumptions

For pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For Health Maintenance Organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount rate

The discount rate for June 30, 2017 was 3.58%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rates

The following presents the total non-employer OPEB liability as of June 30, 2017, using the District's allocable proportionate percentage, calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>Total OPEB Liability (school retirees)</u>	2017
At current discount rate (3.58%)	\$ 4,769,733
At a 1% lower rate (2.58%)	5,662,017
At a 1% higher rate (4.58%)	4,061,965

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total non-employer OPEB liability, as well as what the total non-employer OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>Total OPEB Liability (school retirees)</u>	2017
Healthcare cost trend rate	\$ 4,769,733
At a 1% lower rate (1% decrease)	3,922,644
At a 1% higher rate (1% increase)	5,894,657

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$262,784 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

Note 8 - Deferred compensation

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 8 - Deferred compensation (continued)

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

Equitable

Note 9 - Interfund receivable and payables

As of June 30, 2018, the payroll agency fund has an interfund payable for \$600 due to the general fund which represents a loan for cash flow purposes. The special revenue fund had an interfund payable for \$274 due to the general fund for a loan as a result of cash flow issues relating to the delayed receipt of grant revenues. The debt service fund has an interfund payable for \$6,534 due to the general fund for a loan as a result of cash flow issues relating to the delayed receipt of tax levy revenues. The general fund has an interfund of \$11,499 due to the food service fund for a board contribution.

Note 10 - Inventory

Inventory in the food service fund as of June 30, 2018 consisted of the following:

Food	<u>\$</u>	<u>433</u>
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Note 11 - Contingent liabilities

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

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

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 12 - Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

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

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

Fiscal Year	Board Contrib.	Interest Earnings	Employee Contrib.	Amount Reimbursed	Ending Balance
2017 - 2018	\$ -	\$ 60	\$ 2,299	\$ 1,508	\$ 35,241
2016 - 2017	-	18	2,133	6,450	34,390
2015 - 2016	-	20	2,114	3,048	38,689

Note 13 - Legal reserve accounts

A capital reserve account was established by the District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - Legal reserve accounts (continued)

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$150,000 to their capital reserve account by Board Resolution in June 2018 as summarized in the following schedule. The following schedule is a summarization of the legal reserve accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 179,036	\$ 150,000	\$ -	\$ -	\$ -	\$ 329,036
Emergency	19,066	-	-	-	-	19,066
Maintenance	75,000	-	-	-	-	75,000
Total	<u>\$ 273,102</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423,102</u>

Note 14 - Fund balances - budgetary basis

As described in Note 1 (N), fund balance may be restricted, committed or assigned. An analysis of the general fund Balance on June 30, 2018 is as follows:

	2018
Restricted	
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	\$ 329,036
Emergency reserve account - Represents funds accumulated to finance unanticipated general fund expenditures required for a thorough and efficient education.	19,066
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	75,000
Assigned	
Additional assigned fund balance - unreserved - Designated for subsequent year's expenditures July 1, 2018 - August 1, 2018.	9,908
Unassigned	
Undesignated - Represents fund balance which has not been restricted or designated.	275,013
Total fund balance - budgetary basis	708,023
 Last state aid payments not recognized on GAAP basis	 (33,277)
Total fund balance - GAAP basis (Exhibit B-1)	\$ 674,746

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve general fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2018 is \$0.

Note 16 - Operating lease

At June 30, 2018, the District had operating lease agreements in effect for copy machines. The present value of the future minimum rental payments under the operating lease agreements are as follows:

2019		\$	9,192
2020			9,192
2021			9,192
2022			9,192
Total			36,768

Note 17 - Recent accounting pronouncements not yet effective

The following is of recent accounting pronouncements which are not yet effective as of the date of this report:

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 *Leases*. This statement, which is effective for reporting periods beginning after June 15, 2019, is not expected to have a material impact on the District's financial reporting.

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2018 of (\$449,565) on Schedule A-1 "Statement of Net Position". The deficit balance is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the state.

Note 19 - Subsequent events

The District has evaluated subsequent events through February 4, 2019, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 1,887,914	\$ -	\$ 1,887,914	\$ 1,887,914	\$ -
Other local governmental units - unrestricted	3,160	-	3,160	3,750	590
Tuition from individuals	40,000	-	40,000	57,075	17,075
Unrestricted miscellaneous revenues	500	-	500	9,429	8,929
Interest earned on maintenance reserve	15	-	15	-	(15)
Interest earned on capital reserve funds	25	-	25	-	(25)
Total	1,931,614	-	1,931,614	1,958,168	26,554
State sources					
School choice aid	66,906	-	66,906	66,906	-
Categorical transportation aid	2,238	-	2,238	2,238	-
Extraordinary aid	-	-	-	32,155	32,155
Categorical special education aid	58,167	-	58,167	58,167	-
Equalization aid	202,744	-	202,744	202,744	-
Categorical security aid	1,915	-	1,915	1,915	-
PARCC readiness aid	910	-	910	910	-
Per pupil growth aid	910	-	910	910	-
Professional learning community aid	760	-	760	760	-
Lead testing in drinking water	-	-	-	280	280
Other state aid	-	-	-	1,450	1,450
TPAF pension (on-behalf)	-	-	-	118,918	118,918
TPAF social security (reimbursed)	-	-	-	66,252	66,252
TPAF post retirement benefits	-	-	-	76,807	76,807
TPAF long-term disability insurance	-	-	-	223	223
Total	334,550	-	334,550	630,635	296,085
Total revenues	\$ 2,266,164	\$ -	\$ 2,266,164	\$ 2,588,803	\$ 322,639
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 57,800	\$ (3,980)	\$ 53,820	\$ 52,682	\$ 1,138
Kindergarten	95,536	849	96,385	93,377	3,008
Grades 1-5	270,058	(1,800)	268,258	255,887	12,371
Grades 6-8	239,224	(1,865)	237,359	235,282	2,077
Regular programs - undistributed instruction					
Other salaries for instruction	26,916	9,468	36,384	36,384	-
Purchased professional - educational services	41,500	-	41,500	40,445	1,055
Other purchased services	42,187	(4,215)	37,972	35,578	2,394
General supplies	37,506	(11,380)	26,126	25,989	137
Textbooks	-	4,442	4,442	4,442	-
Other objects	3,500	(2,074)	1,426	1,426	-
Total	814,227	(10,555)	803,672	781,492	22,180

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Special education					
Resource room/resource center					
Salaries of teachers	\$ 108,486	\$ -	\$ 108,486	\$ 105,071	\$ 3,415
General supplies	1,000	(211)	789	789	-
Total	109,486	(211)	109,275	105,860	3,415
Preschool disabilities - part-time					
Salaries of teachers	-	5,510	5,510	5,510	-
Other salaries for instruction	-	3,585	3,585	3,583	2
Total	-	9,095	9,095	9,093	2
Total special education	109,486	8,884	118,370	114,953	3,417
Basic skills/remedial					
General supplies	250	-	250	-	250
Total	250	-	250	-	250
School-sponsored co/extra curricular activities - instruction					
Salaries	12,875	6,314	19,189	19,189	-
Supplies and materials	1,250	(1,250)	-	-	-
Total	14,125	5,064	19,189	19,189	-
School-sponsored athletics - instruction					
Salaries	13,130	(2,000)	11,130	800	10,330
Purchased services	4,090	(350)	3,740	-	3,740
Supplies and materials	3,500	-	3,500	-	3,500
Total	20,720	(2,350)	18,370	800	17,570
Total instruction regular	\$ 958,808	\$ 1,043	\$ 959,851	\$ 916,434	\$ 43,417
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - regular	\$ 39,200	\$ 6,122	\$ 45,322	\$ 45,322	\$ -
Total	39,200	6,122	45,322	45,322	-
Undistributed expenditures - health services					
Salaries	78,884	-	78,884	76,742	2,142
Purchased professional and technical services	2,000	(41)	1,959	389	1,570
Other purchased services	175	-	175	-	175
Supplies and materials	2,000	-	2,000	923	1,077
Total	83,059	(41)	83,018	78,054	4,964
Undistributed expenditures - speech, ot, pt & related services					
Salaries	-	9,916	9,916	9,916	-
Purchased professional - educational services	73,000	(41,941)	31,059	27,091	3,968
Supplies and materials	1,000	(1,000)	-	-	-
Total	74,000	(33,025)	40,975	37,007	3,968

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expend - other supp. service stds. - extra service					
Salaries	\$ 22,856	\$ 978	\$ 23,834	\$ 23,834	\$ -
Purchased professional - educational services	34,500	5,862	40,362	40,362	-
Supplies and materials	450	-	450	-	450
Total	<u>57,806</u>	<u>6,840</u>	<u>64,646</u>	<u>64,196</u>	<u>450</u>
Undistributed expenditures - guidance					
Salaries of other professional staff	26,589	-	26,589	26,162	427
Total	<u>26,589</u>	<u>-</u>	<u>26,589</u>	<u>26,162</u>	<u>427</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	15,669	5,566	21,235	21,107	128
Salaries of secretarial and clerical assistants	45,422	(5,309)	40,113	39,538	575
Purchased professional - educational services	60,282	4,271	64,553	64,553	-
Other purchased professional & technical services	1,000	(437)	563	350	213
Other purchased services	750	(291)	459	-	459
Miscellaneous purchased service	2,500	(500)	2,000	1,800	200
Supplies and materials	1,000	(759)	241	-	241
Total	<u>126,623</u>	<u>2,541</u>	<u>129,164</u>	<u>127,348</u>	<u>1,816</u>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	10,346	34	10,380	439	9,941
Salaries of secretarial & clerical assist	3,000	11,366	14,366	14,238	128
Other salaries	8,700	(8,700)	-	-	-
Total	<u>22,046</u>	<u>2,700</u>	<u>24,746</u>	<u>14,677</u>	<u>10,069</u>
Undistributed expenditures - edu. media service/sch. library					
Salaries	-	26,343	26,343	26,343	-
Salaries of technology coordinators	26,115	(26,115)	-	-	-
Other purchased services	8,220	(228)	7,992	5,770	2,222
Supplies and materials	2,100	-	2,100	1,958	142
Total	<u>36,435</u>	<u>-</u>	<u>36,435</u>	<u>34,071</u>	<u>2,364</u>
Undistributed expenditures - instructional staff training services					
Purchased professional - educational services	2,860	(963)	1,897	397	1,500
Other purchased services	1,500	1,713	3,213	3,150	63
Supplies and materials	100	-	100	-	100
Total	<u>4,460</u>	<u>750</u>	<u>5,210</u>	<u>3,547</u>	<u>1,663</u>
Undistributed expend. - support service - general admin.					
Salaries	3,250	(183)	3,067	2,939	128
Legal services	5,200	7,635	12,835	12,157	678
Audit fees	11,300	(250)	11,050	11,050	-
Other purchased professional services	29,282	4,288	33,570	33,570	-
Misc purch services	5,300	127	5,427	4,847	580
General supplies	100	(100)	-	-	-
Miscellaneous expenditures	350	8	358	358	-
BOE membership dues and fees	1,800	(51)	1,749	1,749	-
Total	<u>56,582</u>	<u>11,474</u>	<u>68,056</u>	<u>66,670</u>	<u>1,386</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	\$ 36,209	\$ 671	\$ 36,880	\$ 36,880	\$ -
Salaries of secretarial and clerical assistants	3,295	-	3,295	3,295	-
Other purchased services	800	-	800	179	621
Supplies and materials	300	(144)	156	90	66
Total	<u>40,604</u>	<u>527</u>	<u>41,131</u>	<u>40,444</u>	<u>687</u>
Undistributed expenditures - central services					
Salaries	8,095	-	8,095	7,479	616
Purchased professional services	37,200	(320)	36,880	36,297	583
Purchased technical services	3,595	-	3,595	3,595	-
Supplies and materials	200	94	294	294	-
Other objects	-	227	227	227	-
Total	<u>49,090</u>	<u>1</u>	<u>49,091</u>	<u>47,892</u>	<u>1,199</u>
Undistributed expend. - required maint. for school facilities					
Salaries	15,485	10,600	26,085	26,085	-
Cleaning, repair, and maintenance services	55,266	(5,339)	49,927	27,179	22,748
Total	<u>70,751</u>	<u>5,261</u>	<u>76,012</u>	<u>53,264</u>	<u>22,748</u>
Undistributed expenditures - custodial services					
Salaries	52,458	(81)	52,377	48,170	4,207
Purchased professional and technical services	7,917	(4,466)	3,451	1,567	1,884
Cleaning, repair, and maintenance service	2,000	(592)	1,408	1,370	38
Other purchased property services	11,108	1,000	12,108	11,048	1,060
Insurance	15,000	(541)	14,459	14,459	-
Miscellaneous purchased services	500	702	1,202	1,202	-
General supplies	20,000	(6,988)	13,012	13,012	-
Energy (electricity)	23,000	(6,820)	16,180	12,294	3,886
Energy (oil)	22,607	(5,607)	17,000	16,730	270
Total	<u>154,590</u>	<u>(23,393)</u>	<u>131,197</u>	<u>119,852</u>	<u>11,345</u>
Undistributed expenditures - care and upkeep of grounds					
Salaries	16,800	-	16,800	16,200	600
Cleaning, repair, and maintenance service	5,000	(2,500)	2,500	-	2,500
General supplies	2,000	-	2,000	1,657	343
Total	<u>23,800</u>	<u>(2,500)</u>	<u>21,300</u>	<u>17,857</u>	<u>3,443</u>
Undistributed expenditures - security					
General supplies	1,000	-	1,000	-	1,000
Total	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - student transportation service					
Salaries for pupil trans (between home & school) - sp ed	\$ 29,981	\$ (10,600)	\$ 19,381	\$ 16,500	\$ 2,881
Cleaning, repair, & maint. services	3,860	(2,329)	1,531	95	1,436
Contract serv-aid in lieu pymts - non-public schools	1,768	-	1,768	1,399	369
Contract serv-aid in lieu pymts - choice school students	9,724	300	10,024	8,000	2,024
Contract service (oth. than between home & school) - vend	3,500	2,029	5,529	5,489	40
Contract service (sp ed stds) - joint agreements	27,000	2,327	29,327	29,327	-
Contract service (spl. ed. students) - escs & ctsas	500	-	500	-	500
Miscellaneous purchased services - transportation	1,000	-	1,000	825	175
General supplies	4,000	(2,327)	1,673	314	1,359
Total	81,333	(10,600)	70,733	61,949	8,784
Unallocated benefits - employee benefits					
Social security contributions	25,000	(1,641)	23,359	22,875	484
Other retirement contributions - PERS	35,500	(1,800)	33,700	32,223	1,477
Workmen's compensation	13,440	(309)	13,131	13,131	-
Health benefits	260,000	1,500	261,500	255,700	5,800
Tuition reimbursement	3,000	-	3,000	3,000	-
Other employee benefits	9,500	4,105	13,605	12,055	1,550
Total	346,440	1,855	348,295	338,984	9,311
On-behalf TPAF pension contribution	-	-	-	118,918	(118,918)
On-behalf TPAF post retirement medical benefits	-	-	-	76,807	(76,807)
On-behalf TPAF long-term disability insurance	-	-	-	223	(223)
Reimbursed TPAF social Security contribution	-	-	-	66,252	(66,252)
Total	-	-	-	262,200	(262,200)
Total undistributed expenditures	\$ 1,294,408	\$ (31,488)	\$ 1,262,920	\$ 1,439,496	\$ (176,576)
Total current	\$ 2,253,216	\$ (30,445)	\$ 2,222,771	\$ 2,355,930	\$ (133,159)
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - instruction	\$ -	\$ 3,475	\$ 3,475	\$ 3,472	\$ 3
Undistributed expend. - required maint. for school facilities	-	23,000	23,000	22,954	46
Undistributed expenditures - custodial services	-	3,970	3,970	3,970	-
Total equipment	-	30,445	30,445	30,396	49
Facilities acquisition and construction service					
Construction services	110,000	-	110,000	-	110,000
Assessment for debt service on SDA funding	1,825	-	1,825	1,825	-
Total facilities acquisition and construction service	111,825	-	111,825	1,825	110,000
Total capital outlay	\$ 111,825	\$ 30,445	\$ 142,270	\$ 32,221	\$ 110,049
Total expenditures	\$ 2,365,041	\$ -	\$ 2,365,041	\$ 2,388,151	\$ (23,110)
Excess (deficiency) of revenues over (under) expenditures	\$ (98,877)	\$ -	\$ (98,877)	\$ 200,652	\$ 299,529

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other financing sources (uses)					
Operating transfer out					
Transfer to food service fund - board contribution	\$ (12,000)	\$ -	\$ (12,000)	\$ (12,000)	\$ -
Total other financing sources (uses)	(12,000)	-	(12,000)	(12,000)	-
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(110,877)	-	(110,877)	188,652	299,529
Fund balances, July 1	519,371	-	519,371	519,371	-
Fund balances, June 30	\$ 408,494	\$ -	\$ 408,494	\$ 708,023	\$ 299,529
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (917)	\$ -	\$ (917)	\$ (917)	\$ -
Increase in capital reserve	-	150,000	150,000	150,000	-
Interest deposit to capital reserve	25	-	25	-	(25)
Withdrawal from capital reserve	(110,000)	110,000	-	-	-
Interest earned on maintenance reserve	15	-	15	-	(15)
Budgeted fund balance	-	(260,000)	(260,000)	39,569	299,569
Total	\$ (110,877)	\$ -	\$ (110,877)	\$ 188,652	\$ 299,529
Recapitulation of fund balance					
Restricted fund balance					
Capital reserve				\$ 329,036	
Emergency reserve				19,066	
Maintenance reserve				75,000	
Assigned fund balance					
Additional assigned fund balance - unreserved - designated for subsequent year's expenditures July 1, 2018-August 1, 2018				9,908	
Unassigned fund balance				275,013	
Fund balance per budgetary basis				708,023	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				(33,277)	
Fund balance per governmental funds (GAAP)				\$ 674,746	

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources	\$ 810	\$ -	\$ 810	\$ 810	\$ -
Federal sources	43,337	-	43,337	43,337	-
Total revenues	<u>\$ 44,147</u>	<u>\$ -</u>	<u>\$ 44,147</u>	<u>\$ 44,147</u>	<u>\$ -</u>
Expenditures					
Instruction					
Tuition	\$ 26,265	\$ -	\$ 26,265	\$ 26,265	\$ -
Purchased professional and technical services	14,534	-	14,534	14,534	-
General supplies	2,216	-	2,216	2,216	-
Total	<u>43,015</u>	<u>-</u>	<u>43,015</u>	<u>43,015</u>	<u>-</u>
Support services					
Purchased professional and technical services	125	-	125	125	-
Other purchased services	978	-	978	978	-
Supplies	29	-	29	29	-
Total	<u>1,132</u>	<u>-</u>	<u>1,132</u>	<u>1,132</u>	<u>-</u>
Total expenditures	<u>\$ 44,147</u>	<u>\$ -</u>	<u>\$ 44,147</u>	<u>\$ 44,147</u>	<u>\$ -</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to Required Supplementary Information
Budget-to-GAAP Reconciliation

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

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 2,588,803	\$ 44,147
Difference - Budget to GAAP		
The last state aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	33,277	-
State aid receivable current year	<u>(33,277)</u>	<u>-</u>
Total revenues (GAAP Basis)	<u>\$ 2,588,803</u>	<u>\$ 44,147</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 2,388,151</u>	<u>\$ 44,147</u>
Total expenditures (GAAP Basis)	<u>\$ 2,388,151</u>	<u>\$ 44,147</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.003284566%	0.0030978661%	0.0029694144%	0.0021266748%	0.0232839760%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 764,595	\$ 917,499	\$ 666,574	\$ 398,172	\$ 445,003	N/A	N/A	N/A	N/A
District's covered employee payroll	\$ 178,049	169,089	224,806	212,947	184,167	147,067	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	452.18%	408.13%	313.02%	216.20%	302.59%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	48.10%	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 30,428	\$ 27,521	\$ 25,529	\$ 17,532	\$ 17,544	\$ 17,998	\$ 18,880	\$ 20,797	\$ 14,317	\$ 10,448
Contributions in relation to the contractually required contribution	(30,428)	(27,521)	(25,529)	(17,532)	(17,544)	(17,998)	(18,880)	(20,797)	(14,317)	(10,448)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 178,049	\$ 169,089	\$ 224,806	\$ 212,947	\$ 184,167	\$ 147,067	\$ 160,384	\$ 164,645	\$ 177,704	\$ 179,272
Contributions as a percentage of covered employee payroll	17.09%	16.28%	11.36%	8.23%	9.53%	12.24%	11.77%	12.63%	8.06%	5.83%

See independent auditors' report.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	N/A	5,239,618	5,013,924	4,650,799	4,167,901	3,804,109	N/A	N/A	N/A	N/A
Total	\$ -	\$ 5,239,618	\$ 5,013,924	\$ 4,650,799	\$ 4,167,901	\$ 3,804,109	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ -	\$ 876,712	\$ 820,687	\$ 725,683	\$ 705,292	\$ 748,613	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	25.41%	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 118,918	\$ 87,410	\$ 51,030	\$ 39,781	\$ 32,989	\$ 48,637	\$ 23,363	\$ 2,102	\$ 2,422	\$ 2,670
Contributions in relation to the contractually required contribution	(118,918)	(87,410)	(51,030)	(39,781)	(32,989)	(48,637)	(23,363)	(2,102)	(2,422)	(2,670)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 912,419	\$ 876,712	\$ 820,687	\$ 725,683	\$ 705,292	\$ 748,613	\$ 763,317	\$ 708,097	\$ 732,346	\$ 688,533
Contributions as a percentage of covered employee payroll	13.03%	9.97%	6.22%	5.48%	4.68%	6.50%	3.06%	0.30%	0.33%	0.39%

N/A - Not Available

See independent auditors' report.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR
OTHER POSTEMPLOYMENT EMPLOYEE BENEFITS (GASB 75) (UNAUDITED)**

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Other
Postemployment Employee Benefits Liability
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportionate share of the other post employment employee benefits liability (asset) - percentage	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other post employment employee benefits liability (asset) - value	N/A	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the other post employment employee benefits liability (asset) associated with the District	N/A	\$ 4,769,733	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 4,769,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 1,045,801	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A - Not available

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2018

- Note 1 - Special funding situation - TPAF and other post-retirement benefits
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense and other post-retirement benefits (OPEB) expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability and OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund and for OPEB allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF
The discount rate increased from 3.22% in State fiscal year 2016 to 4.25% in State fiscal year 2017. The inflation rate was 2.50% for State fiscal years 2016 and 2.25% in State fiscal year 2017.
- Note 3 - Changes in assumptions - PERS
The discount rate increased from 3.98% in State fiscal year 2016 to 5.00% in State fiscal year 2017. The inflation rate decreased from 3.08% for State fiscal year 2016 to 2.25% for State fiscal year 2017.
- Note 4 - Changes in assumptions - other post-retirement employee benefits
The other post-retirement employee benefits discount rate increased from 2.85% in State fiscal year 2016 to 3.58% in State fiscal year 2017. The inflation rate was not available for State fiscal year 2016 and for State fiscal year 2017 was 2.50%.
- Note 5 - Changes in healthcare trend assumptions - other post-retirement employee benefits
For pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For Health Maintenance Organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.
- Note 6 - Changes in benefit term assumptions - other post-retirement employee benefits
There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

MILFORD BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2018

	Small, Rural School Achievement	ESSA Title IIA	ESSA Title III	IDEA Basic	IDEA Preschool	Local Grants	Total
Revenues							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 810	\$ 810
Federal sources	14,534	1,103	29	26,265	1,406	-	43,337
Total revenues	\$ 14,534	\$ 1,103	\$ 29	\$ 26,265	\$ 1,406	\$ 810	\$ 44,147
Expenditures							
Instruction							
Tuition	\$ -	\$ -	\$ -	\$ 26,265	\$ -	\$ -	\$ 26,265
Purchased professional and technical services	14,534	-	-	-	-	-	14,534
Supplies	-	-	-	-	1,406	810	2,216
Total	14,534	-	-	26,265	1,406	810	43,015
Support services							
Purchased professional and technical services	-	125	-	-	-	-	125
Other purchased services	-	978	-	-	-	-	978
Supplies	-	-	29	-	-	-	29
Total	-	1,103	29	-	-	-	1,132
Total expenditures	\$ 14,534	\$ 1,103	\$ 29	\$ 26,265	\$ 1,406	\$ 810	\$ 44,147

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

(NOT APPLICABLE TO THIS REPORT)

PROPRIETARY FUND

DETAIL STATEMENTS

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

MILFORD BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Net Position
June 30, 2018

Assets	
Current assets	
Cash & cash equivalents	\$ 448
Receivables from other governments	
State	14
Federal	292
Due from other funds	11,499
Inventory	433
Total current assets	<u>12,686</u>
Noncurrent assets	
Capital assets	22,397
Less: accumulated depreciation	<u>19,150</u>
Total noncurrent assets	<u>3,247</u>
Total assets	<u>15,933</u>
Liabilities	
Current liabilities	
Unearned revenues - commodities	433
Total liabilities	<u>433</u>
Net position	
Net investment in capital assets	3,247
Unrestricted	<u>12,253</u>
Total net position	<u>\$ 15,500</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 11,026
Daily sales - non-reimbursable programs	1,675
Total operating revenues	<u>12,701</u>
Operating expenses	
Cost of sales - reimbursable programs	7,851
Cost of sales - non-reimbursable programs	9,785
Commodity food costs	1,398
Salaries	4,091
Support services - employee benefits	587
Purchased professional/technical services	305
Other purchased services	
Insurance	739
Management fee	2,000
Depreciation	545
Miscellaneous expenditures	60
Total operating expenses	<u>27,361</u>
Operating income (loss)	<u>(14,660)</u>
Non-operating revenues (expenses)	
State sources	
State school lunch program	261
Federal sources	
National school lunch program	
Cash assistance	5,474
Non-cash assistance (commodities)	1,398
Other sources (uses)	
Operating transfer in	12,000
Total non-operating revenues (expenses)	<u>19,133</u>
Change in net position	4,473
Net position, beginning	<u>11,027</u>
Net position, ending	<u>\$ 15,500</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Food Service Enterprise Fund
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

Cash flows from operating activities	
Receipts from customers (net)	\$ 12,701
Payments to Food Service Management Company	(9,277)
Payments to vendors (net)	(16,141)
Net cash provided by (used for) operating activities	<u>(12,717)</u>
 Cash flows from non-capital financing activities	
State sources	260
Federal sources	5,484
Net interfund transactions	501
Net cash provided by (used for) non-capital financing activities	<u>6,245</u>
 Net increase (decrease) in cash and cash equivalents	(6,472)
 Cash and cash equivalents, beginning	<u>6,920</u>
 Cash and cash equivalents, ending	<u><u>\$ 448</u></u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (14,660)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	545
Federal food donation program	1,398
(Increase) decrease in inventory	55
Increase (decrease) in deferred revenue	(55)
Net cash provided by (used for) operating activities	<u><u>\$ (12,717)</u></u>

See independent auditors' report.

FIDUCIARY FUNDS

DETAIL STATEMENTS

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

MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Net Position
June 30, 2018

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 35,268	\$ 7,316	\$ 20,813	\$ 63,397
Total assets	\$ 35,268	\$ 7,316	\$ 20,813	\$ 63,397
Liabilities				
Accounts payable	\$ 27	\$ -	\$ -	\$ 27
Due to other funds	-	-	600	600
Due to students groups	-	7,316	-	7,316
Payroll deductions & withholdings	-	-	20,213	20,213
Total liabilities	27	7,316	20,813	28,156
Net position				
Held in trust for unemployment claims & other purposes	\$ 35,241	\$ -	\$ -	\$ 35,241

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Schedule of Changes in Net Position
For the Fiscal Year Ended June 30, 2018

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 2,299
Investment earnings - interest	<u>60</u>
Total additions	2,359
Deductions	
Unemployment claims	<u>1,508</u>
Change in net position	851
Net position, beginning of the year	<u>34,390</u>
Net position, end of the year	<u><u>\$ 35,241</u></u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2018

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash and cash equivalents	\$ 7,915	\$ 3,662	\$ 4,261	\$ 7,316
Total assets	<u>\$ 7,915</u>	<u>\$ 3,662</u>	<u>\$ 4,261</u>	<u>\$ 7,316</u>
Liabilities				
Due to student groups	\$ 7,915	\$ 3,662	\$ 4,261	\$ 7,316
Total liabilities	<u>\$ 7,915</u>	<u>\$ 3,662</u>	<u>\$ 4,261</u>	<u>\$ 7,316</u>

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MILFORD BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2018

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Assets				
Cash and cash equivalents	\$ 20,567	\$ 1,337,152	\$ 1,336,906	\$ 20,813
Total assets	<u>\$ 20,567</u>	<u>\$ 1,337,152</u>	<u>\$ 1,336,906</u>	<u>\$ 20,813</u>
Liabilities				
Due to other funds	\$ 600	\$ -	\$ -	\$ 600
Payroll deductions and withholdings	11,424	670,081	669,276	12,229
Net payroll	8,543	667,071	667,630	7,984
Total liabilities	<u>\$ 20,567</u>	<u>\$ 1,337,152</u>	<u>\$ 1,336,906</u>	<u>\$ 20,813</u>

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

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

MILFORD BOROUGH SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2018

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 07/01/17	Issued	Retired	Balance 06/30/18
			Date	Amount					
Series 2009	07/15/09	\$ 480,000	7/15/18	\$ 30,000	5.13%	\$ 285,000	\$ -	\$ 30,000	\$ 255,000
			7/15/19	35,000	-	-	-	-	-
			7/15/20	35,000	-	-	-	-	-
			7/15/21	35,000	-	-	-	-	-
			7/15/22	40,000	-	-	-	-	-
			7/15/23	40,000	-	-	-	-	-
			7/15/24	40,000	-	-	-	-	-
								<u>\$ 285,000</u>	<u>\$ -</u>

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 43,838	\$ -	\$ 43,838	\$ 43,838	\$ -
Total revenues	43,838	-	43,838	43,838	-
Expenditures					
Regular debt service					
Redemption of principal	30,000	-	30,000	30,000	-
Interest	13,838	-	13,838	13,838	-
Total expenditures	43,838	-	43,838	43,838	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-
Fund balance, July 1	-	-	-	-	-
Fund balance, June 30	\$ -	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

STATISTICAL SECTION

MILFORD BOROUGH SCHOOL DISTRICT
Statistical Section J Series

CONTENTS	PAGE
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Government activities										
Net investment in capital assets	\$ 75,933	\$ 238,477	\$ 352,635	\$ 367,969	\$ 438,675	\$ 485,534	\$ 506,905	\$ 749,823	\$ 822,976	\$ 844,239
Restricted	94,297	16,100	13,815	215,520	83,722	226,165	373,659	291,147	273,102	423,102
Unrestricted	213,698	227,570	202,965	272,105	289,262	(295,982)	(242,968)	(303,971)	(402,758)	(449,565)
Total governmental activities	<u>\$ 383,928</u>	<u>\$ 482,147</u>	<u>\$ 569,415</u>	<u>\$ 855,594</u>	<u>\$ 811,659</u>	<u>\$ 415,717</u>	<u>\$ 637,596</u>	<u>\$ 736,999</u>	<u>\$ 693,320</u>	<u>\$ 817,776</u>
Business-type activities										
Net investment in capital assets	\$ 1,174	\$ 443	\$ 4,368	\$ 6,196	\$ 5,607	\$ 5,019	\$ 4,431	\$ 3,843	\$ 3,792	\$ 3,247
Unrestricted	15,693	10,686	6,326	11,087	22,617	19,240	13,861	6,176	7,235	12,253
Total business-type activities	<u>\$ 16,867</u>	<u>\$ 11,129</u>	<u>\$ 10,694</u>	<u>\$ 17,283</u>	<u>\$ 28,224</u>	<u>\$ 24,259</u>	<u>\$ 18,292</u>	<u>\$ 10,019</u>	<u>\$ 11,027</u>	<u>\$ 15,500</u>
District-wide										
Net investment in capital assets	\$ 77,107	\$ 238,920	\$ 357,003	\$ 374,165	\$ 444,282	\$ 490,553	\$ 511,336	\$ 753,666	\$ 826,768	\$ 847,486
Restricted	94,297	16,100	13,815	215,520	83,722	226,165	373,659	291,147	273,102	423,102
Unrestricted	229,391	238,256	209,291	283,192	311,879	(276,742)	(229,107)	(297,795)	(395,523)	(437,312)
Total district-wide	<u>\$ 400,795</u>	<u>\$ 493,276</u>	<u>\$ 580,109</u>	<u>\$ 872,877</u>	<u>\$ 839,883</u>	<u>\$ 439,976</u>	<u>\$ 655,888</u>	<u>\$ 747,018</u>	<u>\$ 704,347</u>	<u>\$ 833,276</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 834,153	\$ 805,715	\$ 802,131	\$ 848,431	\$ 930,268	\$ 960,311	\$ 1,042,003	\$ 1,046,780	\$ 1,301,717	\$ 1,310,946
Special education	243,347	280,703	258,421	288,379	288,298	319,513	306,097	344,532	171,231	194,963
Other special education	16,348	2,652	-	-	-	-	-	-	-	-
Other instruction	15,918	14,169	18,207	21,188	23,862	33,059	23,419	74,096	47,624	76,708
Support services										
Tuition	161,528	194,963	170,910	83,704	143,461	113,397	150,041	130,450	119,434	71,587
Student & instruction related services	372,571	382,275	384,545	390,366	402,995	402,568	526,520	474,697	628,549	611,220
General & business administrative services	157,071	124,219	141,342	168,193	155,154	128,779	119,885	123,848	138,204	138,481
School administration	40,990	43,214	43,577	48,247	51,060	42,457	70,726	71,273	81,600	72,546
Plant operations & maintenance	225,067	149,970	162,360	219,709	209,420	227,639	176,776	254,049	323,959	323,213
Pupil transportation	111,737	167,303	140,387	114,722	117,450	100,701	122,971	123,621	160,778	88,684
Interest on long-term debt	17	37,493	15,826	25,177	22,006	21,531	19,870	18,032	16,496	14,958
Total governmental activities expenses	<u>2,178,747</u>	<u>2,202,676</u>	<u>2,137,706</u>	<u>2,208,116</u>	<u>2,343,974</u>	<u>2,349,955</u>	<u>2,558,308</u>	<u>2,661,378</u>	<u>2,989,592</u>	<u>2,903,306</u>
Business-type activities										
Food services	42,999	35,437	34,277	42,667	43,705	45,630	34,007	34,830	31,811	27,361
Total business-type activities	<u>42,999</u>	<u>35,437</u>	<u>34,277</u>	<u>42,667</u>	<u>43,705</u>	<u>45,630</u>	<u>34,007</u>	<u>34,830</u>	<u>31,811</u>	<u>27,361</u>
Total district expenses	<u><u>\$ 2,221,746</u></u>	<u><u>\$ 2,238,113</u></u>	<u><u>\$ 2,171,983</u></u>	<u><u>\$ 2,250,783</u></u>	<u><u>\$ 2,387,679</u></u>	<u><u>\$ 2,395,585</u></u>	<u><u>\$ 2,592,315</u></u>	<u><u>\$ 2,696,208</u></u>	<u><u>\$ 3,021,403</u></u>	<u><u>\$ 2,930,667</u></u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program revenues										
Governmental activities										
Charges for services	\$ 59,931	\$ 35,265	\$ 60,596	\$ 49,808	\$ 51,035	\$ 51,227	\$ 67,848	\$ 42,721	\$ 42,965	\$ 60,825
Operating grants & contributions	54,856	57,692	73,753	49,248	61,709	69,489	58,216	46,724	53,290	44,147
Total governmental activities program revenues	<u>114,787</u>	<u>92,957</u>	<u>134,349</u>	<u>99,056</u>	<u>112,744</u>	<u>120,716</u>	<u>126,064</u>	<u>89,445</u>	<u>96,255</u>	<u>104,972</u>
Business-type activities										
Charges for services										
Food service	24,385	19,703	21,284	23,124	20,351	20,443	19,706	17,000	15,140	12,701
Operating grants & contributions	6,706	6,980	7,975	7,722	15,417	15,436	8,334	9,557	9,023	7,133
Total business-type activities program revenues	<u>31,091</u>	<u>26,683</u>	<u>29,259</u>	<u>30,846</u>	<u>35,768</u>	<u>35,879</u>	<u>28,040</u>	<u>26,557</u>	<u>24,163</u>	<u>19,834</u>
Total district - program revenues	<u>\$ 145,878</u>	<u>\$ 119,640</u>	<u>\$ 163,608</u>	<u>\$ 129,902</u>	<u>\$ 148,512</u>	<u>\$ 156,595</u>	<u>\$ 154,104</u>	<u>\$ 116,002</u>	<u>\$ 120,418</u>	<u>\$ 124,806</u>
Net (expense) revenues										
Governmental activities	\$ (2,063,960)	\$ (2,109,719)	\$ (2,003,357)	\$ (2,109,060)	\$ (2,231,230)	\$ (2,229,239)	\$ (2,432,244)	\$ (2,571,933)	\$ (2,893,337)	\$ (2,798,334)
Business-type activities	(11,908)	(8,754)	(5,018)	(11,821)	(7,937)	(9,751)	(5,967)	(8,273)	(7,648)	(7,527)
Total district-wide net expenses	<u>\$ (2,075,868)</u>	<u>\$ (2,118,473)</u>	<u>\$ (2,008,375)</u>	<u>\$ (2,120,881)</u>	<u>\$ (2,239,167)</u>	<u>\$ (2,238,990)</u>	<u>\$ (2,438,211)</u>	<u>\$ (2,580,206)</u>	<u>\$ (2,900,985)</u>	<u>\$ (2,805,861)</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 1,594,534	\$ 1,650,851	\$ 1,693,885	\$ 1,690,000	\$ 1,722,955	\$ 1,753,938	\$ 1,783,737	\$ 1,819,400	\$ 1,855,788	\$ 1,887,914
Taxes levied for debt service	178	10,976	47,761	46,759	45,748	49,653	48,281	44,725	45,375	43,838
Unrestricted grants & contributions	425,095	434,125	342,642	415,287	448,413	458,581	708,734	799,973	957,761	993,609
Capital grants - unallocated	33,600	96,000	-	228,240	-	-	104,000	-	-	-
Investment earnings	5,120	2,486	462	237	122	203	315	-	-	-
Miscellaneous income	20,083	16,500	10,455	12,412	9,645	11,723	9,056	7,391	2,737	9,429
Grant funds deobligated	-	-	-	-	-	(7,320)	-	-	(2,003)	-
Prior year adjustment - capital projects interest income	-	-	-	-	-	(237)	-	-	-	-
Operating transfer	(3,891)	(3,000)	(4,580)	(18,407)	(18,877)	(5,785)	-	-	(10,000)	(12,000)
Special item - gain/(loss) on disposal of assets	-	-	-	-	-	-	-	(153)	-	-
Total governmental activities	<u>2,074,719</u>	<u>2,207,938</u>	<u>2,090,625</u>	<u>2,374,528</u>	<u>2,208,006</u>	<u>2,260,756</u>	<u>2,654,123</u>	<u>2,671,336</u>	<u>2,849,658</u>	<u>2,922,790</u>
Business-type activities										
Investment earnings	13	16	3	3	1	1	-	-	-	-
Special item - gain/(loss) on disposal of assets	-	-	-	-	-	-	-	-	(1,344)	-
Operating transfer	3,891	3,000	4,580	18,407	18,877	5,785	-	-	10,000	12,000
Total business-type activities	<u>3,904</u>	<u>3,016</u>	<u>4,583</u>	<u>18,410</u>	<u>18,878</u>	<u>5,786</u>	<u>-</u>	<u>-</u>	<u>8,656</u>	<u>12,000</u>
Total district-wide	<u>\$ 2,078,623</u>	<u>\$ 2,210,954</u>	<u>\$ 2,095,208</u>	<u>\$ 2,392,938</u>	<u>\$ 2,226,884</u>	<u>\$ 2,266,542</u>	<u>\$ 2,654,123</u>	<u>\$ 2,671,336</u>	<u>\$ 2,858,314</u>	<u>\$ 2,934,790</u>
Change in net position										
Governmental activities	\$ 10,759	\$ 98,219	\$ 87,268	\$ 265,468	\$ (23,224)	\$ 31,517	\$ 221,879	\$ 99,403	\$ (43,679)	\$ 124,456
Business-type activities	(8,004)	(5,738)	(435)	6,589	10,941	(3,965)	(5,967)	(8,273)	1,008	4,473
Total district	<u>\$ 2,755</u>	<u>\$ 92,481</u>	<u>\$ 86,833</u>	<u>\$ 272,057</u>	<u>\$ (12,283)</u>	<u>\$ 27,552</u>	<u>\$ 215,912</u>	<u>\$ 91,130</u>	<u>\$ (42,671)</u>	<u>\$ 128,929</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Restricted	\$ 1	\$ 1	\$ 45,000	\$ 48,473	\$ 123,473	\$ 223,978	\$ 114,944	\$ 254,944	\$ 273,102	\$ 423,102
Committed	81,016	105,396	158,252	141,415	126,095	9,105	15,894	18,484	917	-
Assigned	-	100,000	-	20,611	-	18,425	50,787	20,787	-	9,908
Unassigned	241,760	149,856	209,530	259,459	200,374	172,088	217,423	189,416	212,075	241,736
Total general fund	<u>\$ 322,777</u>	<u>\$ 355,253</u>	<u>\$ 412,782</u>	<u>\$ 469,958</u>	<u>\$ 449,942</u>	<u>\$ 423,596</u>	<u>\$ 399,048</u>	<u>\$ 483,631</u>	<u>\$ 486,094</u>	<u>\$ 674,746</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 13,283	\$ (90,175)	\$ (190,318)	\$ 28,222	\$ (37,162)	\$ -	\$ 256,528	\$ 36,203	\$ -	\$ -
Assigned, reported in										
Capital projects fund	8	878	881	883	884	-	-	-	-	-
Debt service fund	(3)	-	-	-	-	2,187	2,187	-	-	-
Total all other governmental funds	<u>\$ 13,288</u>	<u>\$ (89,297)</u>	<u>\$ (189,437)</u>	<u>\$ 29,105</u>	<u>\$ (36,278)</u>	<u>\$ 2,187</u>	<u>\$ 258,715</u>	<u>\$ 36,203</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax levy	\$ 1,594,712	\$ 1,661,827	\$ 1,741,646	\$ 1,736,759	\$ 1,768,703	\$ 1,803,591	\$ 1,832,018	\$ 1,864,125	\$ 1,901,163	\$ 1,931,752
Other local governmental units	-	-	-	-	-	-	-	5,369	3,650	3,750
Tuition charges	49,350	35,265	56,253	46,864	49,126	46,359	64,412	37,352	39,315	57,075
Interest earnings	5,120	2,486	462	237	122	203	315	-	-	-
Miscellaneous	31,485	16,500	14,798	15,356	11,554	16,591	17,484	7,391	2,737	10,239
State sources	426,451	407,259	342,642	404,751	448,413	458,581	484,462	516,000	579,031	630,635
State sources - capital grants	33,600	96,000	-	228,240	-	(7,320)	104,000	-	-	-
Federal sources	52,679	84,558	73,753	59,784	61,709	69,489	53,224	46,724	53,290	43,337
Total revenues	2,193,397	2,303,895	2,229,554	2,491,991	2,339,627	2,387,494	2,555,915	2,476,961	2,579,186	2,676,788
Expenditures										
Instruction										
Regular instruction	666,987	647,950	614,998	654,650	682,742	687,590	656,977	694,690	778,012	796,026
Special education instruction	193,299	212,904	190,987	199,600	207,740	217,792	215,532	209,577	102,039	117,169
Other special instruction	12,687	1,449	-	6,252	6,220	9,561	206	-	-	-
Other instruction	15,834	14,105	16,372	20,828	22,324	31,298	23,048	29,869	29,587	19,989
Support services										
Tuition	161,528	194,963	170,910	83,704	143,461	113,397	150,041	130,450	119,434	71,587
Student & inst related services	333,702	340,134	341,826	337,103	354,815	356,914	414,923	367,268	419,731	386,194
General administration	91,088	67,479	82,354	80,970	81,807	77,558	64,550	62,011	70,558	66,670
School administration services	33,305	34,254	34,583	38,522	37,218	36,829	45,153	46,966	47,237	40,444
Central services	63,731	53,975	55,434	59,642	63,272	48,646	49,928	47,600	49,188	47,892
Plant operations & maintenance	200,105	125,179	128,092	182,940	176,026	210,610	156,949	176,763	228,612	190,973
Pupil transportation	102,408	156,097	138,920	108,183	104,871	89,678	113,549	86,221	94,813	61,949
Employee benefits	184,808	197,705	223,128	233,843	248,800	257,334	242,517	271,496	313,424	338,984
On-behalf TPAF pension & social security contribution	107,917	103,754	100,630	127,812	159,552	139,438	156,282	171,700	224,530	262,200
Capital outlay	-	50,000	-	-	-	36,190	7,527	24,041	60,264	30,396
Capital projects	20,317	679,458	100,143	9,700	65,384	-	3,472	219,326	20,122	-
Debt service										
Principal	211	210	25,210	25,210	25,210	30,212	30,000	30,000	30,000	30,000
Interest & other charges	17	12,388	23,998	22,407	21,707	21,306	18,281	16,912	15,375	15,663
Total expenditures	2,187,944	2,892,004	2,247,585	2,191,366	2,401,149	2,364,353	2,348,935	2,584,890	2,602,926	2,476,136

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Excess (deficiency) of revenues over (under) expenditures	\$ 5,453	\$ (588,109)	\$ (18,031)	\$ 300,625	\$ (61,522)	\$ 23,141	\$ 206,980	\$ (107,929)	\$ (23,740)	\$ 200,652
Other financing sources (uses)										
Proceeds from bond issue	-	480,000	-	-	-	-	-	-	-	-
Capital leases (non-budgeted)	-	50,000	-	-	-	-	-	-	-	-
Prior year adjustment - capital project interest income	-	-	-	-	-	(237)	-	-	-	-
Transfers in (out)	(3,891)	(12,000)	(24,580)	(24,907)	(23,877)	(10,785)	(5,000)	-	(10,000)	(12,000)
Total other financing sources (uses)	(3,891)	518,000	(24,580)	(24,907)	(23,877)	(11,022)	(5,000)	-	(10,000)	(12,000)
Net change in fund balances	<u>\$ 1,562</u>	<u>\$ (70,109)</u>	<u>\$ (42,611)</u>	<u>\$ 275,718</u>	<u>\$ (85,399)</u>	<u>\$ 12,119</u>	<u>\$ 201,980</u>	<u>\$ (107,929)</u>	<u>\$ (33,740)</u>	<u>\$ 188,652</u>
Debt service as a percentage of non-capital expenditures	0.01%	0.59%	2.35%	2.23%	2.05%	2.26%	2.11%	2.04%	1.83%	1.90%

Source: District Records

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

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Interest income	\$ 5,112	\$ 1,616	\$ 459	\$ 235	\$ 121	\$ 203	\$ 315	\$ 373	\$ 407	\$ 1,664
Tuition	49,350	35,265	56,253	46,864	49,126	46,359	64,412	46,102	39,315	57,075
Milford - custodial services	4,020	4,089	4,308	2,944	1,684	3,368	3,436	5,369	3,650	3,750
Refunds	2,450	-	3,493	-	-	-	-	1,113	-	2,003
Before & after care	6,561	8,330	6,279	7,194	9,401	7,308	-	-	-	-
Contributions	285	4,138	478	1,219	-	-	-	404	100	490
Miscellaneous other	93	149	240	742	244	465	464	158	126	667
Transportation services	891	-	-	-	-	1,500	-	-	-	-
Building use fees	-	-	-	-	225	-	-	-	-	-
Insurance settlement	18,400	-	-	3,257	-	-	4,960	-	-	-
Sale of assets	-	-	-	-	-	2,500	-	-	-	-
Prior year refunds	-	-	-	-	-	1,450	1,602	(4,220)	607	3,950
E-rate refunds	-	-	-	-	-	-	2,030	813	1,497	121
Prior year adjustment	(2,036)	(206)	-	-	-	-	-	-	-	534
Annual totals	\$ 85,126	\$ 53,381	\$ 71,510	\$ 62,455	\$ 60,801	\$ 63,153	\$ 77,219	\$ 50,112	\$ 45,702	\$ 70,254

Source: District Records

See independent auditors' report.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Vacant land	\$ 2,212,100	\$ 2,643,000	\$ 2,647,800	\$ 2,634,300	\$ 2,580,300	\$ 2,265,200	\$ 2,265,200	\$ 2,179,300	\$ 2,138,600	\$ 2,131,000
Residential	96,064,900	95,595,200	95,320,400	95,332,200	94,829,000	94,913,600	94,625,300	94,300,400	94,080,271	94,617,171
Farm regular	1,413,900	1,413,900	1,408,800	1,408,800	1,408,800	1,418,800	1,418,800	1,418,800	1,418,800	1,418,800
Q farm	15,900	21,100	21,100	21,100	21,100	21,900	21,900	21,900	21,900	21,900
Commercial	12,455,970	12,455,970	12,444,170	12,759,270	12,759,270	12,759,270	12,447,070	12,447,070	12,447,070	12,377,670
Industrial	1,992,000	1,992,000	1,992,000	1,992,000	1,992,000	1,992,000	1,992,000	1,992,000	1,992,000	1,992,000
Apartment	3,238,200	3,238,200	3,238,200	3,238,200	3,238,200	3,238,200	2,900,000	2,900,000	2,900,000	2,900,000
Total assessed value	117,392,970	117,359,370	117,072,470	117,385,870	116,828,670	116,608,970	115,670,270	115,259,470	114,998,641	115,458,541
Public utilities (a)	265,500	260,294	229,368	241,622	222,189	182,366	188,786	182,807	182,071	178,706
Net valuation taxable	\$ 117,658,470	\$ 117,619,664	\$ 117,301,838	\$ 117,627,492	\$ 117,050,859	\$ 116,791,336	\$ 115,859,056	\$ 115,442,277	\$ 115,180,712	\$ 115,637,247
Estimated actual county equalized value	\$ 145,327,603	\$ 152,971,341	\$ 145,752,781	\$ 128,892,715	\$ 117,673,350	\$ 114,247,660	\$ 109,034,434	\$ 117,010,214	\$ 116,203,301	\$ 119,509,453
Percentage of net valuation to estimated actual equalized value	80.96%	76.89%	80.48%	91.26%	99.47%	102.23%	106.26%	98.66%	99.12%	96.76%
Total direct school tax rate (b)	\$ 1.41	\$ 1.48	\$ 1.48	\$ 1.50	\$ 1.54	\$ 1.53	\$ 1.65	\$ 1.65	\$ 1.68	\$ 1.67

Source: Municipal Tax Assessor

NOTE: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment.

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

See independent auditors' report.

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

Assessment Year	School District Direct Rate			Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate		Municipality	County	
2009	\$ 1.410	\$ -	\$ 1.410	\$ 0.590	\$ 0.680	\$ 0.420	\$ 3.100
2010	1.440	0.040	1.480	0.680	0.680	0.440	3.280
2011	1.440	0.040	1.480	0.660	0.680	0.420	3.240
2012	1.470	0.040	1.510	0.510	0.690	0.370	3.080
2013	1.500	0.040	1.540	0.530	0.700	0.350	3.120
2014	1.530	0.040	1.570	0.610	0.710	0.350	3.200
2015	1.610	0.040	1.650	0.610	0.710	0.340	3.310
2016	1.608	0.039	1.647	0.668	0.716	0.359	3.390
2017	1.638	0.040	1.678	0.774	0.730	0.358	3.540
2018	1.632	0.038	1.670	1.008	0.739	0.373	3.790

Sources: Municipal Tax Collector

NOTE: N.J.S.A. 18A:7F-5d Limits the amount that the District can submit for a general fund tax levy. The levy when added to other components of the District's net budget may not exceed the pre-budget by more than the spending growth limitation calculated as follows: the pre-budget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

- (a) The District's basic tax rate is calculated from the A4F Form which is submitted with the budget and the net valuation taxable.
- (b) Rates for debt service are based on each year's requirements.

See independent auditors' report.

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

	2018			2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
	Pinecrest Village Association	\$ 2,900,000	1	2.51%	\$ 3,238,200	1
International Paper Company	1,336,600	2	1.16%	-		0.00%
Hunterdon Medical Center Finance Dept	1,131,000	3	0.98%	1,131,000	3	0.96%
60 Bridge Street LLC	805,500	4	0.70%	-		0.00%
60 Bridge Street LLC	702,100	5	0.61%	-		0.00%
Individual Property Owner	573,700	6	0.50%	573,700	6	0.49%
Individual Property Owner	539,100	7	0.47%	539,700	7	0.46%
Stem Brothers	523,700	8	0.45%	523,700	8	0.45%
Individual Property Owner	504,800	9	0.44%	466,800	10	0.40%
Ingashdwe Trust	485,400	10	0.42%	-		0.00%
Royal Blue Papers Inc.	-		0.00%	1,336,600	2	1.14%
Barbieri Brothers Corp	-		0.00%	832,100	4	0.71%
TD Banknorth	-		0.00%	702,100	5	0.60%
The Baker Acquisition Cort	-		0.00%	490,400	9	0.42%
	<u>\$ 9,501,900</u>		<u>8.22%</u>	<u>\$ 9,834,300</u>		<u>8.36%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

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

Year Ended June 30,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2009	\$ 1,594,712	\$ 1,594,712	100.00%
2010	1,661,827	1,661,827	100.00%
2011	1,741,646	1,741,646	100.00%
2012	1,736,759	1,736,759	100.00%
2013	1,768,703	1,768,703	100.00%
2014	1,803,591	1,803,591	100.00%
2015	1,832,018	1,832,018	100.00%
2016	1,864,125	1,864,125	100.00%
2017	1,901,163	1,901,163	100.00%
2018	1,931,752	1,931,752	100.00%

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

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

See independent auditors' report.

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

Fiscal Year Ended June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2009	\$ -	\$ 1,052	\$ -	\$ -	\$ -	\$ 1,052	0.00%	\$ 1
2010	480,000	842	50,000	-	-	530,842	0.62%	445
2011	455,000	632	40,833	-	-	496,465	0.57%	405
2012	430,000	422	31,267	-	-	461,689	0.52%	379
2013	405,000	212	21,285	-	-	426,497	0.46%	352
2014	375,000	-	10,869	-	-	385,869	0.42%	319
2015	345,000	-	-	-	-	345,000	0.37%	286
2016	315,000	-	-	-	-	315,000	0.33%	262
2017	285,000	-	-	-	-	285,000	0.29%	239
2018	255,000	-	-	-	-	255,000	N/A	214

NOTES: (1) Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

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

See independent auditors' report.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 1,052	\$ -	\$ 1,052	0.00%	\$ 1
2010	480,842	-	480,842	0.41%	403
2011	455,632	-	455,632	0.39%	371
2012	430,422	-	430,422	0.37%	353
2013	405,212	-	405,212	0.35%	334
2014	375,000	-	375,000	0.32%	310
2015	345,000	-	345,000	0.30%	286
2016	315,000	-	315,000	0.27%	262
2017	285,000	-	285,000	0.25%	239
2018	255,000	-	255,000	0.22%	214

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

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

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2017

	Debt Outstanding	Estimated % Applicable (a)	Estimated Share of Overlapping Debt
Governmental unit			
Debt repaid with property taxes			
Municipality	\$ 683,600	100.00%	\$ 683,600
Regional High School	1,065,000	5.03%	53,570
County general obligation debt	85,249,037	0.55%	470,077
Subtotal, overlapping debt			1,207,248
School district direct debt			255,000
Total direct and overlapping debt			\$ 1,462,248

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

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

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

See independent auditors' report.

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

Legal Debt Margin Calculation for Fiscal Year, 2018

		<u>Equalized Valuation Basis</u>	
		2017	\$ 118,849,360
		2016	116,282,758
		2015	117,241,303
			<u>\$ 352,373,421</u>
	Average equalized valuation of taxable property		<u>\$ 117,457,807</u>
	Debt limit (3.0% of average equalization value)	(a)	\$ 3,523,734
	Total net debt applicable to limit		<u>255,000</u>
	Legal debt margin		<u>\$ 3,268,734</u>

	<u>Fiscal Year</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 3,605,761	\$ 3,420,205	\$ 3,412,505	\$ 3,432,530	\$ 3,523,734
Total net debt applicable	<u>375,000</u>	<u>345,000</u>	<u>315,000</u>	<u>285,000</u>	<u>255,000</u>
Legal debt margin	<u>\$ 3,230,761</u>	<u>\$ 3,075,205</u>	<u>\$ 3,097,505</u>	<u>\$ 3,147,530</u>	<u>\$ 3,268,734</u>
Total net debt applicable to the limit as a percentage of debt limit	10.40%	10.09%	9.23%	8.30%	7.24%

	<u>Fiscal Year</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 4,746,923	\$ 4,757,207	\$ 4,571,348	\$ 4,267,853	\$ 3,921,201
Total net debt applicable	<u>767,452</u>	<u>671,242</u>	<u>646,032</u>	<u>620,822</u>	<u>595,612</u>
Legal debt margin	<u>\$ 3,979,471</u>	<u>\$ 4,085,965</u>	<u>\$ 3,925,316</u>	<u>\$ 3,647,031</u>	<u>\$ 3,325,589</u>
Total net debt applicable to the limit as a percentage of debt limit	16.17%	14.11%	14.13%	14.55%	15.19%

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

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

See independent auditors' report.

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

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2009	1,192	\$ 85,261,376	\$ 71,528	12.2%
2010	1,227	87,424,977	71,251	12.7%
2011	1,218	88,686,234	72,813	12.5%
2012	1,213	91,763,450	75,650	12.9%
2013	1,209	91,139,256	75,384	5.9%
2014	1,205	94,352,705	78,301	5.1%
2015	1,202	96,911,250	80,625	5.2%
2016	1,193	97,956,037	82,109	4.7%
2017	1,189	N/A	N/A	3.3%
2018	N/A	N/A	N/A	N/A

Sources:

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

See independent auditors' report.

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

2018

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

2009

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

See independent auditors' report.

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction	14.60	15.60	14.60	14.80	14.60	16.26	16.65	16.53	15.65	16.40
Related services	3.20	3.20	3.20	3.20	2.90	2.89	2.00	2.00	2.04	1.40
General administration	0.40	0.40	0.40	0.40	0.40	0.40	0.49	0.49	0.49	0.49
School administration services	0.70	0.70	0.70	0.70	0.42	0.41	0.51	0.71	0.81	0.92
Business office	0.60	0.60	0.60	0.60	0.47	0.36	0.46	0.46	0.46	0.58
Building maintenance	1.80	1.80	1.80	1.80	1.26	1.26	1.26	1.26	1.47	1.55
Transportation	0.30	0.30	0.30	0.30	0.76	0.62	0.62	0.62	0.62	0.55
Total	21.60	22.60	21.60	21.80	20.81	22.20	21.99	22.07	21.54	21.89

Source: District Personnel Records

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	102	\$ 2,167,399	\$ 21,249	17.36%	19.0	1 to 7.93	103.3	99.4	-10.10%	96.22%
2010	114	2,149,948	18,859	-11.25%	23.0	1 to 5.70	106.1	101.4	2.71%	95.57%
2011	116	2,098,234	18,088	-4.09%	23.0	1 to 5.04	117.1	112.0	10.37%	95.64%
2012	122	2,134,049	17,492	-3.30%	23.2	1 to 5.26	122.0	117.2	4.18%	96.07%
2013	114	2,288,848	20,078	14.78%	14.6	1 to 7.80	115.4	109.1	-5.41%	94.54%
2014	107	2,276,645	21,277	5.97%	13.2	1 to 8.11	107.0	105.5	-7.28%	98.60%
2015	95	2,289,655	24,102	13.28%	13.6	1 to 6.98	94.7	92.4	-11.50%	97.57%
2016	89	2,294,611	25,782	6.97%	13.8	1 to 6.45	92.1	89.3	-2.75%	96.98%
2017	81	2,477,165	30,582	18.62%	13.8	1 to 5.90	80.7	77.9	-12.38%	96.53%
2018	75	2,400,077	32,001	4.64%	13.8	1 to 5.43	74.9	69.4	-7.19%	92.66%

Source: District Records

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

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Elementary (1924)										
Square feet	19,506	19,506	19,506	19,506	19,506	19,506	19,506	19,506	19,506	19,506
Capacity (students)	151.0	151.0	151.0	151.0	151.0	151.0	151.0	151.0	151.0	151.0
Enrollment	102.0	114.0	116.0	122.0	114.0	107.0	92.0	89.0	75.0	65.0

Number of schools at June 30, 2018

Elementary 1

Source: District Facilities Office

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

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

Undistributed Expenditures - Required Maintenance for School Facilities

<u>Fiscal Year Ended</u>	<u>Amount</u>	<u>Total</u>
2009	\$ 55,876	\$ 55,876
2010	28,183	28,183
2011	25,392	25,392
2012	49,842	49,842
2013	64,552	64,552
2014	70,996	70,996
2015	24,377	24,377
2016	39,575	39,575
2017	70,384	70,384
2018	53,264	53,264
Total school facilities	<u>\$ 482,441</u>	<u>\$ 482,441</u>

* School Facilities as Defined Under EFCFA.
(N.J.A.C. 6A:26-1.2 and NJAC 6A:26A-1.3)

Source: District Records

MILFORD BOROUGH SCHOOL DISTRICT
Insurance Schedule
June 30, 2018
(Unaudited)

	Coverage
School Package Policy - School Alliance Insurance Fund	
Property - Blanket Building and Contents (Policy Limit)	\$ 4,474,052
Comprehensive General Liability (Policy Limit)	5,000,000
Excess Liability (Policy Limit)	10,000,000
Blanket Dishonesty Bond (Policy Limit)	500,000
 Boiler & Machinery - School Alliance Insurance Fund	
Property Damage	100,000,000
 School Board Legal Liability - School Alliance Insurance Fund	
Directors and Officers Policy	5,000,000
 Workers Compensation - NJ Schools Insurance Group	
Per Accident, Disease and Disease Limit	2,000,000
 Student Accident - Berkley Insurance	1,000,000
 Public Employees' Faithful Performance - Selective Insurance Co	
Treasurer of School Monies Bond	130,000
School Board Secretary Bond	130,000

Source: District Records

See independent auditors' report.

SINGLE AUDIT SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Milford Borough School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 4, 2019.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

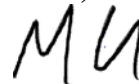
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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



BKC, CPAs, PC



Michael Holk, CPA, PSA

February 4, 2019
Flemington, New Jersey

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards - Schedule A
For the Fiscal Year Ended June 30, 2018

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/17	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balance	Balance June 30, 2018				
					From	To							Accounts Receivable	Deferred Revenue	Due to Grantor		
U.S. Department of Education passed through State Department of Education																	
Special revenue fund																	
Title II A	84.367A	S367A150029	ESSA-3180-18	\$ 978	07/01/17	06/30/18	\$ -	\$ -	\$ 978	\$ 978	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Title II A	84.367A	S367A150029	NCLB-3180-16	1,445	07/01/15	06/30/16	125	-	-	125	-	-	-	-	-	-	
Title III	84.365A	S365A150030	NCLB-3180-16	473	07/01/15	06/30/16	29	-	-	29	-	-	-	-	-	-	
Rural education achievement program	84.358A	S358B150030	S358A-3056-17	17,140	07/01/16	09/30/17	(4,270)	-	4,270	-	-	-	-	-	-	-	
Rural education achievement program	84.358A	S358B150030	S358A-3056-18	18,504	07/01/17	09/30/18	-	-	14,534	14,534	-	-	-	-	-	-	
IDEA basic	84.027	H027A150100	IDEA-3180-18	26,265	07/01/17	06/30/18	-	-	26,265	26,265	-	-	-	-	-	-	
IDEA preschool	84.173	H173S150114	IDEA-3180-18	1,406	07/01/17	06/30/18	-	-	937	1,406	-	-	(469)	-	-	-	
Total special revenue fund							<u>(4,116)</u>	<u>-</u>	<u>46,984</u>	<u>43,337</u>	<u>-</u>	<u>-</u>	<u>(469)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
U.S. Department of Agriculture passed through State Department of Agriculture																	
Enterprise fund																	
Child nutrition center																	
National school lunch program non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	1,893	10/01/16	09/30/17	488	-	-	488	-	-	-	-	-	-	
National school lunch program non-cash assistance (commodities)	10.555	181NJ304N1099	N/A	1,343	10/01/17	09/30/18	-	-	1,343	910	-	-	-	433	-	-	
National school lunch program cash assistance	10.555	171NJ304N1099	N/A	7,020	10/01/16	09/30/17	(302)	-	302	-	-	-	-	-	-	-	
National school lunch program cash assistance	10.555	181NJ304N1099	N/A	5,474	10/01/17	09/30/18	-	-	5,182	5,474	-	-	(292)	-	-	-	
Total enterprise fund							<u>186</u>	<u>-</u>	<u>6,827</u>	<u>6,872</u>	<u>-</u>	<u>-</u>	<u>(292)</u>	<u>433</u>	<u>-</u>	<u>-</u>	
Total federal financial assistance							<u>\$ (3,930)</u>	<u>\$ -</u>	<u>\$ 53,811</u>	<u>\$ 50,209</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (761)</u>	<u>\$ 433</u>	<u>\$ -</u>	<u>\$ -</u>	

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B
For the Fiscal Year Ended June 30, 2018

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period From	Grant To	Balance June 30, 2017		Cash Received	Budgetary Expenditure	Adjustments/ Repayments	Balance June 30, 2018			Memo	
					Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General fund														
Equalization aid	18-495-034-5120-078	\$ 202,744	07/01/17	06/30/18	\$ -	\$ -	\$ 222,911	\$ 202,744	\$ -	\$ -	\$ -	\$ -	\$ 20,167	\$ 202,744
School choice aid	18-495-034-5120-068	66,906	07/01/17	06/30/18	-	-	73,561	66,906	-	-	-	-	6,655	66,906
Special education categorical aid	18-495-034-5120-089	58,167	07/01/17	06/30/18	-	-	63,953	58,167	-	-	-	-	5,786	58,167
Security aid	18-495-034-5120-084	1,915	07/01/17	06/30/18	-	-	2,105	1,915	-	-	-	-	190	1,915
Transportation aid	18-495-034-5120-014	2,238	07/01/17	06/30/18	-	-	2,461	2,238	-	-	-	-	223	2,238
PARCC readiness aid	18-495-034-5120-098	910	07/01/17	06/30/18	-	-	1,000	910	-	-	-	-	90	910
Per pupil growth aid	18-495-034-5120-097	910	07/01/17	06/30/18	-	-	1,000	910	-	-	-	-	90	910
Professional learning community aid	18-495-034-5120-101	760	07/01/17	06/30/18	-	-	836	760	-	-	-	-	76	760
Extraordinary aid	18-495-034-5120-014	32,155	07/01/17	06/30/18	-	-	-	32,155	-	(32,155)	-	-	-	32,155
Extraordinary aid	17-495-034-5120-014	21,508	07/01/16	06/30/17	(21,508)	-	21,508	-	-	-	-	-	-	21,508
Non-public transportation aid	18-495-034-5120-014	1,450	07/01/17	06/30/18	-	-	-	1,450	-	(1,450)	-	-	-	1,450
Non-public transportation aid	17-495-034-5120-014	522	07/01/16	06/30/17	(522)	-	522	-	-	-	-	-	-	522
Lead testing for schools aid	18-495-034-5120-014	280	07/01/17	06/30/18	-	-	280	280	-	-	-	-	-	280
On behalf TPAF pension contribution - Teachers' pension & annuity fund	18-495-034-5094-002	116,101	07/01/17	06/30/18	-	-	116,101	116,101	-	-	-	-	-	116,101
On behalf TPAF pension contribution - non-contribution insurance	18-495-034-5094-004	2,817	07/01/17	06/30/18	-	-	2,817	2,817	-	-	-	-	-	2,817
On behalf TPAF pension contribution - post retirement medical	18-495-034-5094-001	76,807	07/01/17	06/30/18	-	-	76,807	76,807	-	-	-	-	-	76,807
On behalf TPAF pension contribution - long-term disability insurance	18-495-034-5094-004	223	07/01/17	06/30/18	-	-	223	223	-	-	-	-	-	223
Reimbursed TPAF social security contribution	18-495-034-5094-003	66,252	07/01/17	06/30/18	-	-	65,921	66,252	-	(331)	-	-	-	66,252
Reimbursed TPAF social security contribution	17-495-034-5094-003	63,987	07/01/16	06/30/17	(3,271)	-	3,271	-	-	-	-	-	-	63,987
Total general fund					<u>(25,301)</u>	<u>-</u>	<u>655,277</u>	<u>630,635</u>	<u>-</u>	<u>(33,936)</u>	<u>-</u>	<u>-</u>	<u>33,277</u>	<u>716,652</u>
State Department of Agriculture														
Enterprise fund														
State school lunch program	17-100-010-3350-023	277	07/01/16	06/30/17	(13)	-	13	-	-	-	-	-	-	277
State school lunch program	18-100-010-3350-023	261	07/01/17	06/30/18	-	-	247	261	-	(14)	-	-	-	261
Total enterprise fund					<u>(13)</u>	<u>-</u>	<u>260</u>	<u>261</u>	<u>-</u>	<u>(14)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>538</u>
Total State financial assistance					<u>\$ (25,314)</u>	<u>\$ -</u>	<u>\$ 655,537</u>	<u>630,896</u>	<u>\$ -</u>	<u>\$ (33,950)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,277</u>	<u>\$ 717,190</u>
Less: On behalf TPAF pension system contributions								<u>(195,948)</u>						
Total for state financial assistance - major program determination								<u>\$ 434,948</u>						

See independent auditors' report.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2018

Note 1 - General

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

Note 2 - Basis of accounting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the District's basic financial statements.

Note 3 - Relationship of financial statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$0 for the general fund and \$0 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

MILFORD BOROUGH SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2018

Note 3 - Relationship of financial statements (continued)

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

	Federal	State	Total
General fund	\$ -	\$ 630,635	\$ 630,635
Special revenue fund	43,337	-	43,337
Food service fund	6,872	261	7,133
Total awards and financial assistance	\$ 50,209	\$ 630,896	\$ 681,105

Note 4 - Relationship to federal and state financial reports

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

Note 5 - Other

Revenues and expenditures reported under the USDA Commodities Program represent current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2018. TPAF Social Security Contribution represents the amount reimbursed by the state for the employer's share of Social Security Contributions for TPAF members for the year ended June 30, 2018.

**MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

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

Noncompliance material to basic financial statements noted?

Yes No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

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

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

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

Yes No

Identification of Major Programs:

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

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

Did the auditee qualify as a low-risk auditee?

Yes No

MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2018

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

State Awards

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

Not Applicable

Did the auditee qualify as a low-risk auditee?

Yes No

Internal Control Over Major Programs:

1. Were material weakness(es) identified?

Yes No

2. Were there significant deficiencies identified that are not considered to be material weaknesses?

Yes None reported

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

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08 as applicable?

Yes No

Identification of Major Programs:

<u>State Grant/Project Numbers</u>
<i>Not Applicable</i>

<u>Name of State Program</u>

**MILFORD BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Cost - Section II and III
For the Fiscal Year Ended June 30, 2018**

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2018.

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

There were no findings or questioned costs for the year ended June 30, 2018.

**MILFORD BOROUGH SCHOOL DISTRICT
Summary Schedule of Prior - Year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2018**

Status of Prior Year Findings

There were no prior year findings or questioned costs.