

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

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

**Comprehensive Annual
Financial Report**

of the

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

Mount Arlington, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

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

Finance Department

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018

INTRODUCTORY SECTION (UNAUDITED)

Letter of Transmittal	1
Organizational Chart	4
Roster of Officials	5
Consultants and Advisors.....	6

FINANCIAL SECTION.....7

Independent Auditors' Report.....	8
-----------------------------------	---

Required Supplementary Information.....	11
Management's Discussion and Analysis (Unaudited).....	12

Basic Financial Statements (Sections A. and B.).....	20
--	----

A. District-Wide Financial Statements.....	21
A-1 Statement of Net Position	22
A-2 Statement of Activities.....	23

B. Fund Financial Statements.....	25
B-1 Balance Sheet – Governmental Funds	26
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds.....	28
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	30
B-4 Statement of Net Position – Proprietary Funds.....	31
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position – Proprietary Funds.....	32
B-6 Statement of Cash Flows – Proprietary Funds.....	33
B-7 Statement of Fiduciary Net Position – Fiduciary Funds	34
B-8 Statement of Changes in Fiduciary Net Position – Fiduciary Funds	35
Notes to the Basic Financial Statements.....	36

Required Supplementary Information (Unaudited)	75
--	----

L. Schedules Related to Accounting and Reporting for Pensions and Postemployment Benefits Other Than Pensions (Unaudited).....	76
L-1 Schedule of District's Proportionate Share of the Net Pension Liability – Public Employees Retirement System.....	76
L-2 Schedule of District Contributions – Public Employees Retirement System	77
L-3 Schedule of State's Proportionate Share of the Net Pension Liability Associated with the District– Teachers' Pension and Annuity Fund.....	78
L-4 Schedule of State Contributions - Teacher's Pension and Annuity Fund.....	79
L-5 Schedule of Changes in the State's Total OPEB Liability and Related Ratios.....	80
Notes to Required Supplementary Information	81

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018

C.	Budgetary Comparison Schedules.....	82
C-1	Budgetary Comparison Schedule – General Fund (Unaudited).....	83
C-2	Combining Budgetary Schedule – Special Revenue Fund (Unaudited)	94
C-3	Budgetary Comparison Schedule- Note to Required Supplementary Information (Unaudited).....	95
Other Supplementary Schedules (Sections D. to I.)		
D.	School Level Schedules (Not Applicable)	97
E.	Special Revenue Fund	98
E-1	Combining Schedule of Revenue and Expenditures Special Revenue Fund – Budgetary Basis.....	99
E-2	Preschool Education Aid Schedule of Expenditures Special Revenue Fund – Budgetary Basis (Not Applicable)	101
F.	Capital Projects Fund (Not Applicable).....	102
G.	Proprietary Funds (Enterprise Funds)	103
G-1	Statement of Net Position	104
G-2	Statement of Revenue, Expenses and Changes in Fund Net Position.....	105
G-3	Statement of Cash Flows	106
H.	Fiduciary Funds	107
H-1	Combining Statement of Fiduciary Net Position	108
H-2	Statement of Changes in Fiduciary Net Position	109
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	110
H-4	Student Activity Agency Fund Statement of Activity	111
H-5	Payroll Agency Fund Schedule of Receipts and Disbursements	112
I.	Long-Term Debt.....	113
I-1	Schedule of Serial Bonds	114
I-2	Schedule of Obligations Under Capital Leases (Not Applicable)	115
I-3	Debt Service Fund Budgetary Comparison Schedule.....	116
J.	Statistical Section (Unaudited)	117
J-1	Net Position by Component.....	118
J-2	Changes in Net Position.....	119
J-3	Fund Balances- Governmental Funds.....	121
J-4	Changes in Fund Balances- Governmental Funds	122
J-5	General Fund Other Local Revenue by Source	124
J-6	Assessed Value and Actual Value of Taxable Property	125
J-7	Direct and Overlapping Property Tax Rates	126
J-8	Principal Property Tax Payers	127
J-9	Property Tax Levies and Collections.....	128
J-10	Ratios of Outstanding Debt by Type	129
J-11	Ratios of Net General Bonded Debt Outstanding.....	130
J-12	Ratios of Overlapping Governmental Activities Debt.....	131

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

J.	Statistical Section (Unaudited) (Cont'd)	
J-13	Legal Debt Margin Information.....	132
J-14	Demographic and Economic Statistics	133
J-15	Principal Employers.....	134
J-16	Full-Time Equivalent District Employees by Function/Program	135
J-17	Operating Statistics	136
J-18	School Building Information	137
J-19	Schedule of Required Maintenance for School Facilities	138
J-20	Insurance Schedule	139
K.	SINGLE AUDIT SECTION.....	140
K-1	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	141
K-2	Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Controls over Compliance	143
K-3	Schedule of Expenditures of Federal Awards.....	145
K-4	Schedule of Expenditures of State Awards	146
K-5	Notes to the Schedules of Expenditures of Federal and State Awards	147
K-6	Schedule of Findings and Questioned Costs.....	149
K-7	Summary Schedule of Prior Audit Findings	151

INTRODUCTORY SECTION

Mount Arlington Public Schools

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

Monica A. Rowland,
Superintendent of Schools

Tonya M. Flowers
Business Administrator/Board Secretary

January 18, 2019

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

Dear Board Members:

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

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

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8 (The approximately 150 Mount Arlington students in grades 9-12 are sent to the Roxbury Public School District and are properly included in their enrollment numbers. The Mount Arlington Public School District is responsible for paying tuition, transportation and special education costs for these students, and these costs are included in the District's financial statements). The District completed the 2017-2018 fiscal year with an average daily enrollment of 348 students, which is 6 students above the previous year's average daily enrollment.

2) ECONOMIC CONDITIONS AND OUTLOOK: Mount Arlington Borough has seen two new housing developments in the last two years with one being a pilot project. These developments have yielded an increase in the number of students we are serving, especially in the lower elementary grades. Additionally, Mount Arlington has a number of rental properties which results in a slightly higher transient population. Despite the existing uncertainty with the change in demographics from the new housing developments, the district continues to make needed building and infrastructure improvements and enhance our educational programs overall by being prudent and responsible with spending.

3) MAJOR INITIATIVES: During the 2017/2018 school year, the District completed the installation of Security Vestibules, outside strobes and speakers at both schools, renovated the Main Office at the Mount Arlington Public School, and installed new ceilings and lights in the corridor of the Edith Decker Elementary School.

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

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

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

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

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

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

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


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

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

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

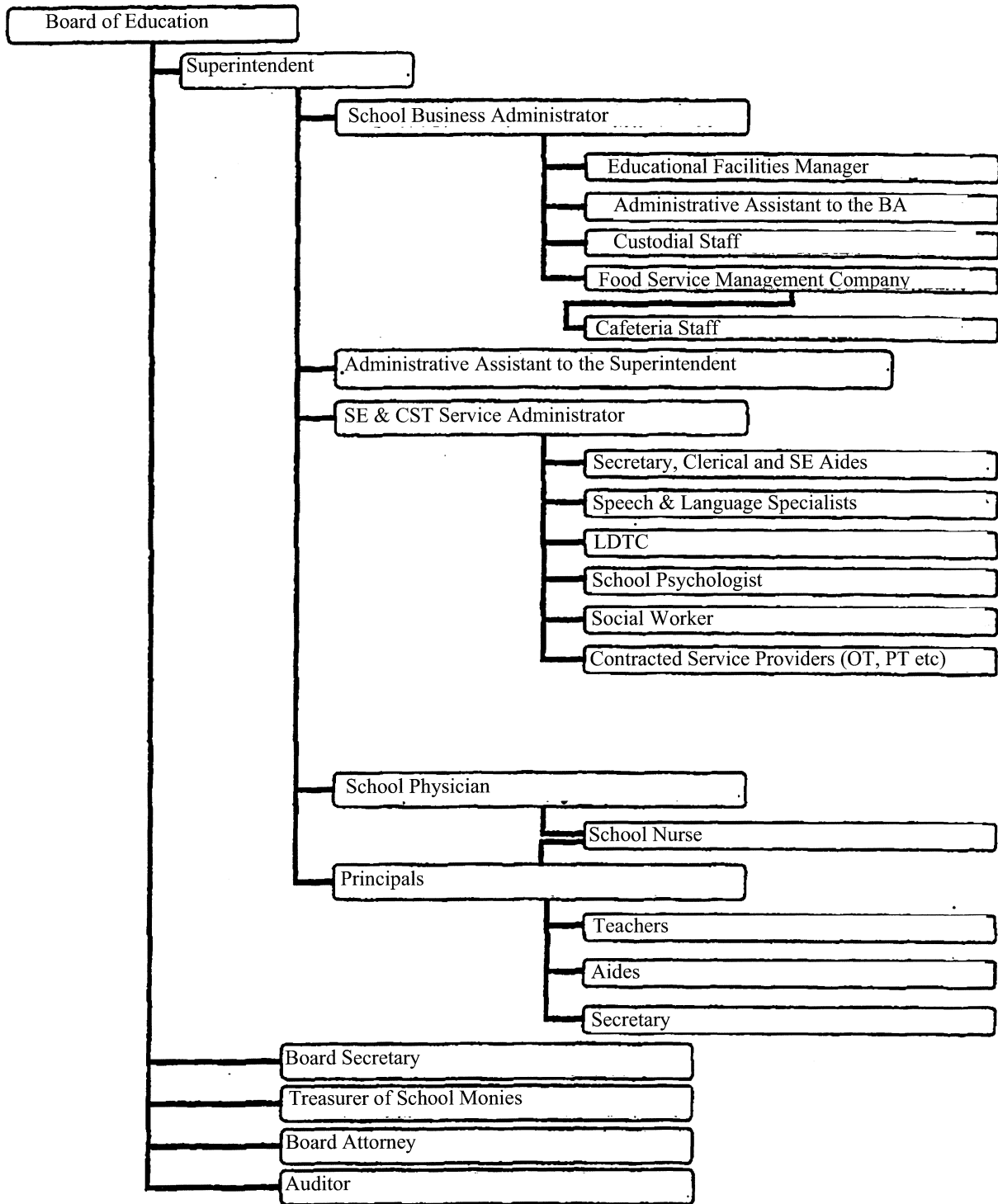
10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Mount Arlington Borough School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance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

Respectfully submitted,

Signed: 
Title: Superintendent

Signed: 
Title: Business Administrator

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
 ORGANIZATION CHART
 JUNE 30, 2018



**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2018**

<u>Members of the Board of Education</u>		<u>Term Expires</u>
Sheila Studint	President	2018
Rachel Byrne	Vice President	2020
Elizabeth Cangiano		2019
John Albert Decena		2018
Melissa Eckert		2020
Albert Roldan		2019
Karl Svenningsen		2020

<u>Other Officials</u>	<u>Title</u>
Monica Rowland	Superintendent of Schools
Tonya M. Flowers	School Business Administrator/Board Secretary
Sharon Ruiz	Treasurer of School Monies

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
Consultants and Advisors

Audit Firm

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

Attorney

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

Bond Counsel

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

Official Depositories

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

FINANCIAL SECTION

Independent Auditors' Report

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

Report on the Financial Statements

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 18 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, during the fiscal year ended June 30, 2018. Our opinions are 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, which follows this report, the pension and postemployment benefit schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 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.

Mount Arlington, New Jersey
January 18, 2019

NISIVOCCIA LLP



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

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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

This section of Borough of Mount Arlington School District’s annual financial report presents its discussion and analysis of the District’s financial performance during the fiscal year ending June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

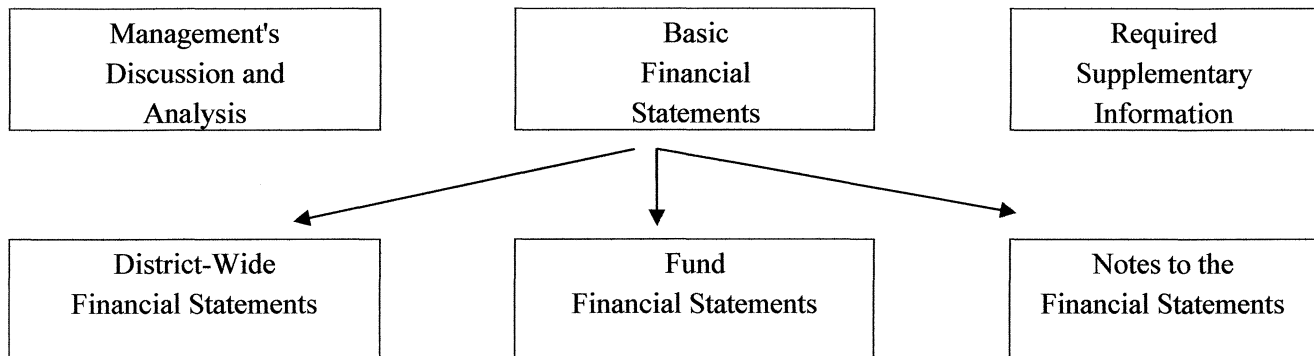
Overview of the Financial Statements

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

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

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

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



**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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

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

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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Fund Financial Statements

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

Notes to the Basic Financial Statements

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

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by 2.90%. Net position from governmental activities increased \$167,912 and net position from business-type activities increased by \$7,417. Net investment in capital assets increased \$463,377, restricted net position increased \$85,630, and unrestricted net position decreased \$373,678.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2017/2018
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Current and Other Assets	\$ 3,662,733	\$ 3,753,059	\$ 48,584	\$ 65,800	\$ 3,711,317	\$ 3,818,859	
Capital Assets, Net	6,431,369	6,115,389	8,178	10,781	6,439,547	6,126,170	
Total Assets	10,094,102	9,868,448	56,762	76,581	10,150,864	9,945,029	2.07%
Deferred Outflows of Resources	775,190	986,640			775,190	986,640	-21.43%
Other Liabilities	295,438	197,663	11,799	39,035	307,237	236,698	
Long-Term Liabilities	3,853,375	4,451,480			3,853,375	4,451,480	
Total Liabilities	4,148,813	4,649,143	11,799	39,035	4,160,612	4,688,178	-11.25%
Deferred Inflows of Resources	554,440	207,818			554,440	207,818	166.79%
Net Position:							
Net Investment in Capital Assets	4,536,369	4,070,389	8,178	10,781	4,544,547	4,081,170	
Restricted	2,643,503	2,557,873			2,643,503	2,557,873	
Unrestricted/(Deficit)	(1,013,833)	(630,135)	36,785	26,765	(977,048)	(603,370)	
Total Net Position	\$ 6,166,039	\$ 5,998,127	\$ 44,963	\$ 37,546	\$ 6,211,002	\$ 6,035,673	2.90%

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Changes in Net Position

The Changes in Net Position shows the cost of program services and the revenues of the District on a comparative schedule (Figure A-4).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	/	/	/	/	/	/	
Revenue:							
Program Revenue:							
Charges for Services			\$ 109,254	\$ 98,441	\$ 109,254	\$ 98,441	
Grants and Contributions:							
Operating	\$ 3,499,827	\$ 3,242,679	59,984	56,457	3,559,811	3,299,136	
General Revenue:							
Property Taxes	10,459,175	10,165,744			10,459,175	10,165,744	
Federal and State Aid Not Restricted	64,986	64,155			64,986	64,155	
Other	107,561	37,925	250	79	107,811	38,004	
Total Revenue	<u>14,131,549</u>	<u>13,510,503</u>	<u>169,488</u>	<u>154,977</u>	<u>14,301,037</u>	<u>13,665,480</u>	4.65%
Expenses:							
Instruction	6,351,945	5,915,759			6,351,945	5,915,759	
Pupil and Instruction Services	5,006,386	4,514,164			5,006,386	4,514,164	
Administrative Services	888,291	749,656			888,291	749,656	
Maintenance and Operations	835,882	858,359			835,882	858,359	
Transportation	518,530	490,019			518,530	490,019	
Other	362,603	370,016	162,071	169,352	524,674	539,368	
Total Expenses	<u>13,963,637</u>	<u>12,897,973</u>	<u>162,071</u>	<u>169,352</u>	<u>14,125,708</u>	<u>13,067,325</u>	8.10%
Increase/(Decrease) in Net Position	<u>\$ 167,912</u>	<u>\$ 612,530</u>	<u>\$ 7,417</u>	<u>\$ (14,375)</u>	<u>\$ 175,329</u>	<u>\$ 598,155</u>	-70.69%

Governmental Activities

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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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

Figure A-5 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

**Figure A-5
Net Cost of Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017/2018	2016/2017	2017/2018	2016/2017
Instruction	\$ 6,351,945	\$ 5,915,759	\$ 3,238,285	\$ 3,025,321
Pupil and Instruction Services	5,006,386	4,514,164	4,880,799	4,385,998
Administrative and Business	888,291	749,656	772,280	668,226
Maintenance and Operations	835,882	858,359	835,882	858,359
Transportation	518,530	490,019	373,961	347,374
Other	362,603	370,016	362,603	370,016
	<u>\$ 13,963,637</u>	<u>\$ 12,897,973</u>	<u>\$ 10,463,810</u>	<u>\$ 9,655,294</u>

Business-Type Activities

Net position from the District's business-type activities increased by \$7,417 primarily due to an increase in food service sales. (Refer to Figure A-4).

Financial Analysis of the District's Funds

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

General Fund Budgetary Highlights

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

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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Capital Assets

Figure A-6

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Sites (Land)	\$ 611,500	\$ 611,500			\$ 611,500	\$ 611,500	
Site Improvements	229,547	247,372			229,547	247,372	
Buildings and Building Improvements	5,434,125	5,053,669			5,434,125	5,053,669	
Machinery and Equipment	156,197	202,848	\$ 8,178	\$ 10,781	164,375	213,629	
Total Capital Assets (Net of Depreciation)	\$ 6,431,369	\$ 6,115,389	\$ 8,178	\$ 10,781	\$ 6,439,547	\$ 6,126,170	5.12%

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

Figure A-7

Outstanding Long-Term Liabilities

	Total School District		Total Percentage Change 2017/2018
	2017/2018	2016/2017	
General Obligation Bonds (Financed with Property Taxes)	\$ 1,895,000	\$ 2,045,000	
Net Pension Liability	1,953,375	2,401,480	
Compensated Absences Payable	5,000	5,000	
	\$ 3,853,375	\$ 4,451,480	-13.44%

- The District's net pension liability decreased by \$448,105.
- At year-end, the District had \$1,895,000 in general obligation bonds – a reduction of \$150,000 from last year – as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 6 to the basic financial statements.)

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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

Based on the new funding formula we anticipate over the next five years seeing a small increase in the amount of state aid received. Increasing State regulations, State-mandated submissions and reporting requirements along with teacher evaluations will have a negative impact on the ability of the existing administration to comply with all State directives while maintaining the day to day operations of the schools.

There is an apartment complex which is a pilot project of approximately 300 units which is now fully occupied and another new housing development not yet completed for the Borough of Mount Arlington. The amount of student impact from the new apartment complex has had a significant impact to our operating expenditures. To date, we have received a total of 37 students, 9 of which are high school students.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,449,777	\$ 31,218	\$ 1,480,995
Internal Balances	(11,135)	11,135	
Receivables from Federal Government	18,252	3,846	22,098
Receivables from State Government	228,537	149	228,686
Other Accounts Receivable	44,293		44,293
Interfund Receivable	104,525		104,525
Inventory		2,236	2,236
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	1,678,484		1,678,484
Maintenance Reserve - Cash and Cash Equivalents	50,000		50,000
Tuition Reserve - Cash and Cash Equivalents	100,000		100,000
Capital Assets, Net:			
Sites (Land)	611,500		611,500
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	5,819,869	8,178	5,828,047
Total Assets	<u>10,094,102</u>	<u>56,762</u>	<u>10,150,864</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	775,190		775,190
Total Deferred Outflows of Resources	<u>775,190</u>		<u>775,190</u>
LIABILITIES			
Accrued Interest Payable	34,742		34,742
Payable to State Government	6,923		6,923
Accounts Payable	238,531	9,800	248,331
Unearned Revenue	15,242	1,999	17,241
Noncurrent Liabilities:			
Due Within One Year	160,000		160,000
Due Beyond One Year	3,693,375		3,693,375
Total Liabilities	<u>4,148,813</u>	<u>11,799</u>	<u>4,160,612</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	554,440		554,440
Total Deferred Inflows of Resources	<u>554,440</u>		<u>554,440</u>
NET POSITION			
Net Investment in Capital Assets	4,536,369	\$ 8,178	4,544,547
Restricted for:			
Capital Projects	1,678,484		1,678,484
Maintenance Reserve	50,000		50,000
Tuition Reserve	100,000		100,000
Excess Surplus	815,018		815,018
Debt Service	1		1
Unrestricted/(Deficit)	(1,013,833)	36,785	(977,048)
Total Net Position	<u>\$ 6,166,039</u>	<u>\$ 44,963</u>	<u>\$ 6,211,002</u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 4,819,145		\$ 1,971,195		\$ (2,847,950)		\$ (2,847,950)
Special Education	1,357,508		1,071,819		(285,689)		(285,689)
Other Special Instruction	26,899		11,372		(15,527)		(15,527)
School Sponsored Instruction	148,393		59,274		(89,119)		(89,119)
Support services:							
Tuition	3,669,576		107,525		(3,562,051)		(3,562,051)
Student & Instruction Related Services	1,336,810		18,062		(1,318,748)		(1,318,748)
General Administrative Services	331,226				(331,226)		(331,226)
School Administrative Services	335,958		116,011		(219,947)		(219,947)
Central Services	221,107				(221,107)		(221,107)
Plant Operations and Maintenance	835,882				(835,882)		(835,882)
Pupil Transportation	518,530		144,569		(373,961)		(373,961)
Unallocated Depreciation	241,797				(241,797)		(241,797)
Capital Outlay	12,431				(12,431)		(12,431)
Interest on Long-Term Debt	79,050				(79,050)		(79,050)
Charter Schools	29,325				(29,325)		(29,325)
Total Governmental Activities	13,963,637		3,499,827		(10,463,810)		(10,463,810)
Business-Type Activities:							
Food Service	162,071	\$ 109,254	59,984			\$ 7,167	7,167
Total Business-Type Activities	162,071	109,254	59,984			7,167	7,167
Total Primary Government	\$ 14,125,708	\$ 109,254	\$ 3,559,811	\$ -0-	(10,463,810)	7,167	(10,456,643)

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Net (Expenses)/Revenues and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 10,227,375		\$ 10,227,375
Taxes Levied for Debt Service	231,800		231,800
Federal and State Aid Not Restricted	64,986		64,986
Tuition from Other LEAs	44,293		44,293
Investment Earnings	7,682	\$ 250	7,932
Miscellaneous Income	55,586		55,586
Total General Revenues	<u>10,631,722</u>	<u>250</u>	<u>10,631,972</u>
Change in Net Position	167,912	7,417	175,329
Net Position - Beginning	5,998,127	37,546	6,035,673
Net Position - Ending	<u>\$ 6,166,039</u>	<u>\$ 44,963</u>	<u>\$ 6,211,002</u>

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

FUND FINANCIAL STATEMENTS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 1,388,757	\$ 3,913	\$ 57,106	\$ 1	\$ 1,449,777
Interfund Receivable	161,631				161,631
Receivables from Federal Government		18,252			18,252
Receivables from State Government	228,537				228,537
Other Accounts Receivable	44,293				44,293
Restricted Cash and Cash Equivalents	1,828,484				1,828,484
Total Assets	\$ 3,651,702	\$ 22,165	\$ 57,106	\$ 1	\$ 3,730,974

LIABILITIES AND FUND BALANCES

Liabilities:					
Interfund Payable	\$ 11,135		\$ 57,106		\$ 68,241
Payable to State Government		\$ 6,923			6,923
Accounts Payable - Vendors	155,878				155,878
Unearned Revenue		15,242			15,242
Total Liabilities	167,013	22,165	57,106		246,284
Fund Balances:					
Restricted:					
Capital Reserve Account	1,678,484				1,678,484
Maintenance Reserve	50,000				50,000
Tuition Reserve	100,000				100,000
Excess Surplus	409,891				409,891
Excess Surplus - For Subsequent Year's Expenditures	405,127				405,127
Debt Service Fund				\$ 1	1
Assigned:					
Year End Encumbrances	233,857				233,857
For Subsequent Year's Expenditures	196,064				196,064
Unassigned	411,266				411,266
Total Fund Balances	3,484,689			1	3,484,690
Total Liabilities and Fund Balances	\$ 3,651,702	\$ 22,165	\$ 57,106	\$ 1	\$ 3,730,974

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

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

Fund Balance from Above	\$ 3,484,690
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds.	6,431,369
Interest on long term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(34,742)
Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore are not reported as a liability in the Funds.	(1,900,000)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(1,953,375)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds.	
Deferred Outflows	692,537
Deferred Inflows	<u>(554,440)</u>
Net Position of Governmental Activities	<u>\$ 6,166,039</u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources:				
Local Tax Levy	\$ 10,227,375		\$ 231,800	\$ 10,459,175
Tuition from Other LEAs	44,293			44,293
Interest Earned on Capital Reserve Funds	7,682			7,682
Miscellaneous	\$ 55,586	\$ 800		\$ 56,386
Total - Local Sources	<u>10,334,936</u>	<u>800</u>	<u>231,800</u>	<u>10,567,536</u>
State Sources	1,738,238			1,738,238
Federal Sources		152,401		152,401
Total Revenues	<u>12,073,174</u>	<u>153,201</u>	<u>231,800</u>	<u>12,458,175</u>
EXPENDITURES				
Current:				
Regular Instruction	2,232,174		28,165	2,260,339
Special Education Instruction	674,543			674,543
Other Instruction	12,260			12,260
School Sponsored Instruction	72,092			72,092
Support Services and Undistributed Costs:				
Tuition	3,562,051	107,525		3,669,576
Student & Instruction Related Services	1,027,977	17,511		1,045,488
General Administrative Services	279,932			279,932
School Administrative Services	168,787			168,787
Central Services	172,233			172,233
Plant Operations and Maintenance	734,788			734,788

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES				
Current:				
Pupil Transportation	\$ 518,530			\$ 518,530
Unallocated Benefits	2,164,199			2,164,199
Transfer to Charter Schools	29,325			29,325
Capital Outlay	622,481			622,481
Debt Service:				
Principal			\$ 150,000	150,000
Interest and Other Charges			81,800	81,800
Total Expenditures	<u>12,271,372</u>	<u>\$ 153,201</u>	<u>231,800</u>	<u>12,656,373</u>
Net Change in Fund Balances	(198,198)			(198,198)
Fund Balance - July 1	<u>3,682,887</u>		<u>1</u>	<u>3,682,888</u>
Fund Balance - June 30	<u>\$ 3,484,689</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 3,484,690</u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (198,198)

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

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

Depreciation expense	\$ (294,070)
Capital Outlays	<u>610,050</u>
	315,980

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

2,750

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

150,000

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

Changes in Net Pension Liability	\$ 448,105
Changes in Deferred Outflows	(204,103)
Changes in Deferred Inflows	<u>(346,622)</u>
	\$ (102,620)

Change in Net Position of Governmental Activities (A-2)

\$ 167,912

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 31,218
Intergovernmental Receivable:	
Federal	3,846
State	149
Interfund Receivable	11,135
Inventory	2,236
	<hr/>
Total Current Assets	48,584
	<hr/>
Non-Current Assets:	
Capital Assets	108,180
Less: Accumulated Depreciation	(100,002)
	<hr/>
Total Non-Current Assets	8,178
	<hr/>
Total Assets	56,762
	<hr/>
LIABILITIES:	
Accounts Payable	9,800
Unearned Revenue - Prepaid Sales	1,422
Unearned Revenue - Donated Commodities	577
	<hr/>
Total Liabilities	11,799
	<hr/>
NET POSITION:	
Investment in Capital Assets	8,178
Unrestricted	36,785
	<hr/>
Total Net Position	\$ 44,963
	<hr/> <hr/>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 76,435
Daily Sales - Nonreimbursable Programs	32,819
Total Operating Revenue	109,254
Operating Expenses:	
Cost of Sales - Reimbursable Programs	65,560
Cost of Sales - Nonreimbursable Programs	13,734
Salaries, Benefits & Payroll Taxes	65,362
Supplies, Insurance & Other Costs	6,756
Management Fee	8,056
Depreciation Expense	2,603
Total Operating Expenses	162,071
Operating Loss	(52,817)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	37,196
School Breakfast Program	7,907
Food Distribution Program	13,180
State Sources:	
State School Lunch Program	1,701
Local Sources:	
Interest Income	250
Total Non-Operating Revenue	60,234
Change in Net Position	7,417
Net Position - Beginning of Year	37,546
Net Position - End of Year	\$ 44,963

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Business-Type Activities - Enterprise Funds Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 113,760
Payments to Food Service Vendor	<u>(173,617)</u>
Net Cash (Used for) Operating Activities	<u>(59,857)</u>
Cash Flows from Noncapital Financing Activities:	
State and Federal Subsidy Reimbursements	<u>46,821</u>
Net Cash Provided by Noncapital Financing Activities	<u>46,821</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>250</u>
Net Cash Provided by Investing Activities	<u>250</u>
Net Decrease in Cash and Cash Equivalents	(12,786)
Cash and Cash Equivalents, July 1	<u>44,004</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 31,218</u></u>
Reconciliation of Operating Loss to Net Cash (Used for) Operating Activities:	
Operating Loss	\$ (52,817)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	2,603
Food Distribution Program	13,180
Changes in Assets and Liabilities:	
Decrease in Interfund Receivable	3,974
Decrease in Inventory	439
Increase in Accounts Payable	(27,370)
Increase in Unearned Revenue - Prepaid Sales	532
(Decrease) in Unearned Revenue - Donated Commodities	<u>(398)</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (59,857)</u></u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$12,782 and utilized U.S.D.A. Commodities valued at \$13,180.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2018

	Agency	Flexible Spending Trust	Unemployment Compensation Trust
ASSETS:			
Cash and Cash Equivalents	\$ 215,890	\$ 3,677	\$ 11
Intrafund Receivable		19,658	16,847
Total Assets	215,890	23,335	16,858
 LIABILITIES:			
Payroll Deductions and Withholdings	45,015		
Net Salaries and Wages	12,071		
Intrafund Payable	36,505		
Interfund Payable	97,525	7,000	
Due to Student Groups	24,774		
Total Liabilities	215,890	7,000	
 NET POSITION:			
Held in Trust for Unemployment Claims			16,858
Held in Trust for Flexible Spending Claims		16,335	
Total Net Position	\$ -0-	\$ 16,335	\$ 16,858

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
ADDITIONS:		
Contributions:		
Employee Deductions	\$ 8,593	\$ 12,438
Total Contributions	<u>8,593</u>	<u>12,438</u>
Investment Earnings	<u>44</u>	<u>14</u>
Total Additions	<u>8,637</u>	<u>12,452</u>
DEDUCTIONS:		
Unemployment Claims and Contributions		9,144
Flexible Spending Claims	<u>9,761</u>	
Total Deductions	<u>9,761</u>	<u>9,144</u>
Change in Net Position	(1,124)	3,308
Net Position - Beginning of the Year	<u>17,459</u>	<u>13,550</u>
Net Position - End of the Year	<u>\$ 16,335</u>	<u>\$ 16,858</u>

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,074,289	\$ 153,242
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not.		(41)
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(55,733)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	<u>54,618</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 12,073,174</u>	<u>\$ 153,201</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 12,271,372	\$ 153,242
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not		<u>(41)</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 12,271,372</u>	<u>\$ 153,201</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

E. Cash and Cash Equivalents and Investments:

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

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

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

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

K. Capital Assets:

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

K. Capital Assets: (Cont'd)

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

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District allows employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, however accrued salaries and wages as of June 30, 2018 was \$-0-.

N. Compensated Absences:

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$3,484,689 General Fund fund balance at June 30, 2018, \$233,857 is assigned for encumbrances; \$1,678,484 is restricted in the capital reserve account; \$50,000 has been restricted in the maintenance reserve account; \$50,000 is restricted in the tuition reserve account for the fiscal year ending June 30, 2019; \$50,000 has been restricted in the tuition reserve account for the fiscal year ending June 30, 2020; \$405,127 is restricted as prior year excess surplus in accordance with N.J.S.A. 18A:7F (S1701) and has been appropriated and included as anticipated revenue for the year ending June 30, 2019; current year excess surplus in the amount of \$409,891 will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2020; \$196,064 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2019; and \$411,266 is unassigned fund balance, which is \$55,733 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2019.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2018 is \$1.

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

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$55,733, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record this state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the last two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Q. Deficit Net Position:

The District has a deficit in unrestricted net position of \$1,013,833 in governmental activities, which is primarily a result of accrued interest payable, compensated absences payable, net pension liability, changes in assumptions and proportions in pension net of fund balance designated for subsequent years' expenditures, assigned for encumbrances, unassigned general fund balance, change in assumption for pensions, change in proportion for pensions and difference between expected and actual experience for pensions and net difference between projected and actual investment earnings in pensions.

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

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2018 for pensions. The District had deferred inflows of resources at June 30, 2018 for pensions.

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

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2018.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances and for amounts designated for subsequent year's expenditures in the General Fund at June 30, 2018.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

U. Management Estimates:

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

V. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments: Cont'd)

- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.). ;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed; or

- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;
 - (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
 - (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
 - (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

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

Investments: Cont'd)

During the period ended June 30, 2018, the District did not hold any investments.

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents			Total
		Capital Reserve	Tuition Reserve	Maintenance Reserve	
Checking and Savings Accounts	\$ 1,700,573	\$ 1,678,484	\$ 100,000	\$ 50,000	\$3,529,057

The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$3,529,057 and the bank balance was \$4,427,764.

NOTE 4. CAPITAL RESERVE ACCOUNT

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

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

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 1,496,990
Interest Earned	\$ 7,682
Transferred by Board Resolution June 20, 2018	400,000
	407,682
	1,904,672
Withdrawn by Board Resolution	(226,188)
Ending Balance, June 30, 2018	\$ 1,678,484

The June 30, 2018 capital reserve account balance does not exceed the total LRFP balance of local support costs of uncompleted capital projects. The withdrawals from the capital reserve were for use in DOE approved facilities projects, consistent with the District's LRFP.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 611,500			\$ 611,500
Total Capital Assets Not Being Depreciated	<u>611,500</u>			<u>611,500</u>
Capital Assets Being Depreciated:				
Site Improvements	434,578			434,578
Buildings and Building Improvements	8,399,992	\$ 603,175		9,003,167
Machinery and Equipment	922,611	6,875		929,486
Total Capital Assets Being Depreciated	<u>9,757,181</u>	<u>610,050</u>		<u>10,367,231</u>
Governmental Activities Capital Assets	<u>10,368,681</u>	<u>610,050</u>		<u>10,978,731</u>
Less Accumulated Depreciation for:				
Site Improvements	(187,206)	(17,825)		(205,031)
Buildings and Building Improvements	(3,346,323)	(222,719)		(3,569,042)
Machinery and Equipment	(719,763)	(53,526)		(773,289)
	<u>(4,253,292)</u>	<u>(294,070)</u>		<u>(4,547,362)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,115,389</u>	<u>\$ 315,980</u>	<u>\$ -0-</u>	<u>\$ 6,431,369</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 108,180			\$ 108,180
Less Accumulated Depreciation	<u>(97,399)</u>	<u>\$ (2,603)</u>		<u>(100,002)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,781</u>	<u>\$ (2,603)</u>	<u>\$ -0-</u>	<u>\$ 8,178</u>

Depreciation expense was charged to governmental functions as follows:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2017	Retired	Balance 6/30/2018
Serial Bonds Payable	\$ 2,045,000	\$ 150,000	\$ 1,895,000
Net Pension Liability	2,401,480	448,105	1,953,375
Compensated Absences Payable	5,000		5,000
	<u>\$ 4,451,480</u>	<u>\$ 598,105</u>	<u>\$ 3,853,375</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The current portion of bonds at June 30, 2018 is \$160,000 and the long-term portion is \$1,735,000. The Debt Service Fund will be used to liquidate bonds payable.

The District had bonds outstanding as of June 30, 2018 as follows:

<u>Purpose</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount</u>
Refunding Bonds	1/15/2028	4.00%	<u>\$ 1,895,000</u>

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 160,000	\$ 75,800	\$ 235,800
2020	165,000	69,400	234,400
2021	170,000	62,800	232,800
2022	180,000	56,000	236,000
2023	185,000	4,880	189,880
2024-2028	1,035,000	127,200	1,162,200
	<u>\$ 1,895,000</u>	<u>\$ 396,080</u>	<u>\$ 2,291,080</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2018, the Board had no bonds authorized but not issued.

C. Capital Leases Payable:

The District did not have any Capital Leases Payable as of June 30, 2018.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

D. Compensated Absences:

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, no liability existed for compensated absences in the Enterprise Fund.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$-0- and the long-term portion is \$1,953,375. See Note 9 for further information on the PERS.

NOTE 7. MAINTENANCE RESERVE ACCOUNT

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

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget. The activity of the maintenance reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 50,000
Ending Balance, June 30, 2018	\$ 50,000

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, the District transferred \$228,284 to capital outlay accounts for which required approval of the County Superintendent was obtained

NOTE 9. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$79,334 for fiscal year 2018.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the District reported a liability of \$1,953,375 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.0084%, which was an increase of 0.0003% from its proportion measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the District recognized pension expense of \$180,359. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

	<u>Year of Deferral</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 22,159	
	2015	5.72	93,340	
	2016	5.57	278,039	
	2017	5.48	<u> </u>	\$ 392,095
			<u>393,538</u>	<u>392,095</u>
Difference Between Expected and Actual Experience	2015	5.72	25,896	
	2016	5.57	8,438	
	2017	5.48	<u>11,661</u>	
			<u>45,995</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(23,408)	
	2015	5.00	19,968	
	2016	5.00	83,722	
	2017	5.00	<u>(66,981)</u>	
			<u>13,301</u>	
Changes in Proportion	2014	6.44	97,158	
	2015	5.72	92,110	
	2016	5.57		\$ 162,345
	2017	5.48	<u>50,435</u>	
			<u>239,703</u>	<u>162,345</u>
District Contribution Subsequent to the Measurement Date	2018	1.00	<u>82,653</u>	
			<u>\$ 775,190</u>	<u>\$ 554,440</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2018	\$ 45,984
2019	69,391
2020	42,048
2021	(55,924)
2022	(40,760)
	\$ 60,739

Actuarial Assumptions

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

Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65 – 4.15% based on age
Thereafter	2.65 – 5.15% based on age
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

The actuarial assumptions used in the July 1, 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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market 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 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 upon the contribution rate in the most recent fiscal year. The local employers contributed 100% of their actuarially determined contributions.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate (Cont'd)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2017 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 2,423,294	\$ 1,953,375	\$ 1,561,874

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

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

This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2018, the State of New Jersey contributed \$435,353 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,425,481.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$20,577,148. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.0305%, which was a decrease of 0.0004% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	20,577,148
Total	\$ 20,577,148

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$1,425,481 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3	<u>13,378,255,364</u>	<u>\$ 11,684,858,458</u>
Difference Between Expected and Actual Experience	2014	8.5		13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	<u>207,898,332</u>	<u>115,381,203</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2017	5	<u>(904,033,050)</u>	
			<u>341,507,504</u>	
			<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>

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

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	<u>(1,714,363,628)</u>
	<u>\$ 2,360,639,596</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

Actuarial Assumptions

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

Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience 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 pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table on the next page:

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

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 upon the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2036. Therefore, the long-term expected rate of return on pension 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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The following presents the State's proportionate share of net pension liability associated with the District as of June 30, 2017 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (5.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 24,446,297	\$ 20,577,148	\$ 17,389,726

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$6,292 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$11,535 for the fiscal year ended June 30, 2018.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. RISK MANAGEMENT

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

Property and Liability Insurance

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

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

The audit report for the year ended June 30, 2018 was not available as of the date of this report. Selected, summarized financial information for the Group as of June 30, 2017 is as follows:

	<u>Morris-Essex Insurance Group</u>
Total Assets	<u>\$ 10,087,866</u>
Net Position	<u>\$ 7,503,025</u>
Total Revenue	<u>\$ 3,384,095</u>
Total Expenses	<u>\$ 1,932,089</u>
Change in Net Position	<u>\$ 490,223</u>
Member Dividends	<u>\$ 961,773</u>

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017-2018	\$ 14	\$ 12,438	\$ 9,144	\$ 16,858
2016-2017	1	12,250	5,085	13,550
2015-2016		930	8,571	6,384

NOTE 11. DEFERRED COMPENSATION

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

Lincoln Life

AXA Equitable

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES AND TRANSFERS

As of June 30, 2018 there were interfund receivables and payables as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 161,631	\$ 11,135
Capital Projects Fund		57,106
Proprietary Fund - Food Service Fund	11,135	
Fiduciary Fund		104,525
	<u>\$ 172,766</u>	<u>\$ 172,766</u>

The \$104,525 of interfund receivable in the General Fund represents employee health contributions and flexible spending funds due from the Fiduciary Funds. The \$57,106 interfund receivable in the General Fund represents the prior year Capital Projects Funds closed out but not turned over as of June 30, 2018. The \$11,135, due to the Food Service Fund is due to state and federal subsidy reimbursements that have been received but not transferred to the Food Service Fund.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES

Litigation

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

Grant Programs

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

Arbitrage

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

Encumbrances

At June 30, 2018, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Total Governmental Funds
\$ 233,857	\$ 41	\$ 233,898
\$ 233,857	\$ 41	\$ 233,898

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

NOTE 14. TAX CALENDAR

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

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

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 15. ECONOMIC DEPENDENCY

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

NOTE 16. ACCOUNTS PAYABLE

Accounts payable recorded in the District's Governmental and Business-Type Activities as of June 30, 2018 consisted of the following:

	<u>Governmental Funds</u>	<u>District Contribution</u>	<u>Total</u>	<u>Business-Type Activities</u>
	<u>General Fund</u>	<u>Subsequent to the Measurement Date</u>	<u>Governmental Activities</u>	<u>Proprietary Funds</u>
Vendors	\$ 155,878		\$ 155,878	\$ 9,800
State of New Jersey		\$ 82,653	82,653	
	<u>\$ 155,878</u>	<u>\$ 82,653</u>	<u>\$ 238,531</u>	<u>\$ 9,800</u>

NOTE 17. TUITION RESERVE ACCOUNT

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

As of June 30, 2018 the District has \$100,000 in the tuition reserve for which \$50,000 and \$50,000 will be used to pay for tuition adjustments for the fiscal year ending June 30, 2019 and 2020, respectively.

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a "special funding situation", as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

Total Nonemployer OPEB Liability

The total nonemployer 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 nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Actuarial Assumptions and Other Inputs

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/ABP	PERS	PFRS
Salary Increases: Through 2026	1.55 - 4.55% based on years of service	2.15 - 4.15% based on age	2.10 - 8.98% based on age
Thereafter	2.00 - 5.45% based on years of service	3.15 - 5.15% based on age	3.10 - 9.98% based on age

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 MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health 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.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF, PFRS and PERS, respectively.

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 rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% and decreases to a 5.0% long term 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 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. 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.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
	Total OPEB Liability Attributable to the District	\$ 17,336,348	\$ 14,604,292
	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
	Total OPEB Liability Attributable to the District	\$ 18,847,451	\$ 15,732,151

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 12,010,618	\$ 14,604,292	\$ 18,048,660

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 94,961,452	\$ 115,732,151	\$ 143,500,596

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$1,346,583 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	<u>\$ 1,190,373,242</u>	<u>\$ (6,343,769,032)</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 18. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	<u>(2,629,618,547)</u>
	<u>\$ (6,343,769,032)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0083773906%	0.0093836240%	0.0081084149%
District's proportionate share of the net pension liability	\$ 1,568,477	\$ 2,106,436	\$ 2,401,480
District's covered employee payroll	\$ 567,642	\$ 570,668	\$ 553,391
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	276.31%	369.12%	433.96%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%
			48.10%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 69,062	\$ 80,674	\$ 72,606	\$ 79,334
Contributions in relation to the contractually required contribution	(69,062)	(80,674)	(72,606)	(79,334)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's covered employee payroll	\$ 563,245	\$ 567,642	\$ 570,668	\$ 553,391
Contributions as a percentage of covered employee payroll	12.26%	14.21%	12.72%	14.34%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0301625284%	0.0304561326%	0.0309057303%
State's proportionate share of the net pension liability attributable to the District	\$ 16,120,890	\$ 19,249,576	\$ 24,312,415
District's covered employee payroll	\$ 3,066,789	\$ 3,123,921	\$ 3,024,130
State's proportionate share of the net pension liability attributable to the District as a percentage of the District's covered employee payroll	525.66%	616.20%	803.95%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%
			25.41%

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

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

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually required contribution	\$ 867,455	\$ 1,175,360	\$ 1,826,740	\$ 1,425,481
Contributions in relation to the contractually required contribution	<u>(164,657)</u>	<u>(247,443)</u>	<u>(331,278)</u>	<u>(435,353)</u>
Contribution deficiency/(excess)	<u>\$ 702,798</u>	<u>\$ 927,917</u>	<u>\$ 1,495,462</u>	<u>\$ 990,128</u>
District's covered employee payroll	\$ 3,066,789	\$ 3,123,921	\$ 3,024,130	\$ 3,036,121
Contributions as a percentage of covered employee payroll	28.29%	37.62%	60.41%	14.34%

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	(1,223,298,019)	(1,242,412,566)
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	46,849,651,824	57,831,784,184
Total OPEB Liability - Ending	\$57,831,784,184	\$53,639,841,858
State's Covered Employee Payroll *	\$13,493,400,208	\$13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

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

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEN PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 10,227,375		\$ 10,227,375	\$ 10,227,375	
Tuition from Other LEAs				44,293	\$ 44,293
Interest Earned on Capital Reserve Funds	1,000		1,000	7,682	6,682
Miscellaneous	10,000		10,000	55,586	45,586
Total - Local Sources	10,238,375		10,238,375	10,334,936	96,561
State Sources:					
Categorical Special Education Aid	341,301		341,301	352,442	11,141
Categorical Security Aid	50,873		50,873	50,873	
Adjustment Aid	84		84	84	
Categorical Transportation Aid	140,194		140,194	140,194	
PARCC Readiness Aid	4,625		4,625	4,625	
Per Pupil Growth Aid	4,625		4,625	4,625	
Professional Learning Community Aid	4,780		4,780	4,780	
Extraordinary Special Education Costs Aid				212,624	212,624
Nonpublic School Transportation Costs				4,375	4,375
On-Behalf TPAF Pension Contribution (Non-Budgeted)				435,353	435,353
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				288,009	288,009
On-Behalf TPAF Long Term Disability Insurance (Non-Budgeted)				801	801
On-Behalf TPAF Non Contributory Insurance (Non-Budgeted)				10,565	10,565
Reimbursed TPAF Social Security (Non-Budgeted)				230,003	230,003
Total State Sources	546,482		546,482	1,739,353	1,192,871
TOTAL REVENUES	10,784,857		10,784,857	12,074,289	1,289,432

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 151,495	\$ (29,847)	\$ 121,648	\$ 121,564	\$ 84
Grades 1-5 - Salaries of Teachers	1,013,174	72,112	1,085,286	1,085,282	4
Grades 6-8 - Salaries of Teachers	890,204	(44,315)	845,889	834,807	11,082
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000	5,050	6,050	6,027	23
Purchased Professional - Educational Services	500		500		500
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	290	47,666	47,666	47,666	
Purchased Professional - Educational Services	46,556	(284)	51,156	47,413	3,743
Purchased Technical Services	94,274	(1,228)	93,046	84,455	8,591
General Supplies	37,500	(9,431)	28,069	4,043	24,026
Textbooks	630	650	1,280	917	363
Other Objects					
Total Regular Programs - Instruction	2,235,623	44,973	2,280,596	2,232,174	48,422
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	371,590	(12,000)	359,590	354,261	5,329
Other Salaries for Instruction	32,256		32,256	21,437	10,819
Purchased Professional - Educational Services	45,930	(4,450)	41,480	40,634	846
General Supplies	5,275	1,300	6,575	6,484	91
Other Objects	385		385		385
Total Resource Room/Resource Center	455,436	(15,150)	440,286	422,816	17,470

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Autism:					
Salaries of Teachers	\$ 80,995	\$ (2,900)	\$ 78,095	\$ 78,063	\$ 32
Other Salaries for Instruction	22,363	5,839	28,202	28,202	
General Supplies	500		500		500
Total Autism	<u>103,858</u>	<u>2,939</u>	<u>106,797</u>	<u>106,265</u>	<u>532</u>
Preschool Disabilities - Part-time:					
Salaries of Teachers	102,850	50	102,900	102,896	4
Other Salaries for Instruction	49,242	(7,368)	41,874	41,874	
General Supplies	1,500	(50)	1,450	692	758
Total Preschool Disabilities - Full-time	<u>153,592</u>	<u>(7,368)</u>	<u>146,224</u>	<u>145,462</u>	<u>762</u>
Total Special Education Instruction	<u>712,886</u>	<u>(19,579)</u>	<u>693,307</u>	<u>674,543</u>	<u>18,764</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	39,055	(33,428)	5,627		5,627
General Supplies	500		500	276	224
Total Basic Skills/Remedial - Instruction	<u>39,555</u>	<u>(33,428)</u>	<u>6,127</u>	<u>276</u>	<u>5,851</u>
Bilingual Education - Instruction:					
Salaries of Teachers	11,984		11,984	11,984	
Total Bilingual - Instruction	<u>11,984</u>		<u>11,984</u>	<u>11,984</u>	

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 22,653	\$ 8,056	\$ 30,709	\$ 30,685	\$ 24
Purchased Services (300-500 series)	1,400		1,400	1,400	
Supplies and Materials	2,800	(200)	2,600		2,600
Total School-Sponsored Cocurricular Activities - Instruction	26,853	7,856	34,709	32,085	2,624
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	37,937	(6,156)	31,781	31,781	
Purchased Services (300-500 series)	5,600	1,088	6,688	4,902	1,786
Supplies and Materials	12,000	(4,705)	7,295	1,984	5,311
Other Objects	1,050	317	1,367	1,340	27
Total School-Sponsored Cocurricular Athletics - Instruction	56,587	(9,456)	47,131	40,007	7,124
Total Instruction	3,083,488	(9,634)	3,073,854	2,991,069	82,785
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	2,654,168	(43,790)	2,610,378	2,610,363	15
Tuition to Other LEAs Within the State - Special	352,890	97,355	450,245	450,177	68
Tuition to CSSD & Regional Day Schools	163,283	(87,759)	75,524	75,524	
Tuition to County Vocational Schools - Regular	110,400	37,540	147,940	147,940	
Tuition to Private Schools for the Disabled - Within the State	300,358	(22,311)	278,047	278,047	
Total Undistributed Expenditures - Instruction:	3,581,099	(18,965)	3,562,134	3,562,051	83
Attendance and Social Work:					
Salaries	26,662		26,662	24,787	1,875
Total Attendance and Social Work	26,662		26,662	24,787	1,875

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 133,913	\$ 9,300	\$ 143,213	\$ 138,389	\$ 4,824
Purchased Professional and Technical Services	5,500		5,500	4,075	1,425
Supplies and Materials	1,800	3,800	5,600	5,487	113
Other Objects	1,026		1,026	913	113
Total Health Services	142,239	13,100	155,339	148,864	6,475
Other Support Services - Students - Related Services:					
Salaries	274,037	(8,175)	265,862	256,433	9,429
Purchased Professional - Educational Services	35,125	28,965	64,090	59,722	4,368
Supplies and Materials	3,433		3,433	2,801	632
Total Other Support Services - Students - Related Services	312,595	20,790	333,385	318,956	14,429
Other Support Services - Students - Extraordinary Services:					
Salaries	123,766	(8,200)	115,566	64,039	51,527
Total Other Support Services - Students - Extraordinary Services	123,766	(8,200)	115,566	64,039	51,527
Other Support Services - Students - Guidance:					
Salaries of Other Professional Staff	49,455		49,455	47,798	1,657
Total Other Support Services - Students - Guidance	49,455		49,455	47,798	1,657
Other Support Services - Students - Child Study Teams:					
Salaries of Other Professional Staff	141,845		141,845	141,731	114
Salaries of Secretarial and Clerical Assistants	30,407	1,500	31,907	31,855	52
Other Purchased Professional and Technical Services	43,863	(590)	43,273	33,020	10,253
Supplies and Materials	2,474	(502)	1,972	1,371	601
Other Objects	300		300	275	25
Total Other Support Services - Students - Child Study Teams	218,889	408	219,297	208,252	11,045

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	\$ 139,444		\$ 139,444	\$ 139,144	\$ 300
Salaries of Other Professional Staff	8,000		8,000	713	7,287
Total Improvement of Instructional Services	147,444		147,444	139,857	7,587
Educational Media Services/School Library:					
Salaries	34,870	\$ 31,501	66,371	66,347	24
Purchased Professional and Technical Services	5,000	(5,000)			
Supplies and Materials	2,869		2,869	124	2,745
Other Objects	2,629		2,629	2,484	145
Total Educational Media Services/School Library	45,368	26,501	71,869	68,955	2,914
Instructional Staff Training Services:					
Other Purchased Professional and Technical Services	11,500		11,500	1,752	9,748
Other Purchased Services	15,000		15,000	4,492	10,508
Other Objects	1,000		1,000	225	775
Total Instructional Staff Training Services	27,500		27,500	6,469	21,031
Support Services - General Administration:					
Salaries	168,754	2,500	171,254	160,751	10,503
Legal Services	15,700	29,975	45,675	42,031	3,644
Audit Fees	22,920	(3,520)	19,400	19,400	
Other Purchased Professional Services	13,403	(3,000)	10,403	6,180	4,223
Communications/Telephone	34,980		34,980	32,752	2,228
BOE Other Purchased Services	4,300	(100)	4,200	894	3,306
Miscellaneous Purchased Services (400-500 series)	19,400	(7,750)	11,650	6,302	5,348

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration (Cont'd):					
General Supplies	\$ 400		\$ 400	\$ 34	\$ 366
Miscellaneous Expenditures	5,014	\$ 775	5,789	5,184	605
BOE Membership Dues and Fees	5,830	575	6,405	6,404	1
Total Support Services - General Administration	290,701	19,455	310,156	279,932	30,224
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	128,460		128,460	122,259	6,201
Salaries of Secretarial and Clerical Assistants	40,180	2,500	42,680	40,520	2,160
Purchased Professional and Technical Services	5,400		5,400	5,315	85
Other Purchased Services (400-500 series)	500		500	157	343
Supplies and Materials	500		500	243	257
Other Objects	1,049		1,049	293	756
Total Support Services - School Administration	176,089	2,500	178,589	168,787	9,802
Central Services:					
Salaries	154,984	301	155,285	153,166	2,119
Purchased Technical Services	23,739	149	23,888	15,461	8,427
Miscellaneous Purchased Services	1,000		1,000	731	269
Supplies and Materials	2,200	100	2,300	2,292	8
Miscellaneous Expenditures	2,840	(550)	2,290	583	1,707
Total Central Services	184,763		184,763	172,233	12,530
Required Maintenance of School Facilities:					
Salaries	89,434		89,434	88,894	540
Cleaning, Repair and Maintenance Services	115,874	15,282	131,156	123,961	7,195
General Supplies	17,443	(7,300)	10,143	4,135	6,008
Total Required Maintenance of School Facilities	222,751	7,982	230,733	216,990	13,743

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 184,948	\$ 9,600	\$ 194,548	\$ 192,650	\$ 1,898
Purchased Professional and Technical Services	5,500		5,500	4,912	588
Cleaning, Repair and Maintenance Services	50,898	(13,207)	37,691	37,659	32
Other Purchased Property Services	42,260	4,625	46,885	46,463	422
Insurance	79,192		79,192	44,437	34,755
General Supplies	40,000	(1,000)	39,000	27,963	11,037
Energy (Electricity)	90,000		90,000	71,381	18,619
Energy (Natural Gas)	40,000		40,000	28,253	11,747
Energy (Oil)	43,000	(9,600)	33,400	19,297	14,103
Other Objects	1,032	1,000	2,032	1,661	371
Total Custodial Services	576,830	(8,582)	568,248	474,676	93,572
Care and Upkeep of Grounds:					
Salaries	20,070		20,070	19,650	420
Cleaning, Repair and Maintenance Services	21,525	1,000	22,525	21,570	955
General Supplies	500		500		500
Total Care and Upkeep of Grounds	42,095	1,000	43,095	41,220	1,875
Security					
Purchased Technical Services	3,000		3,000	1,902	1,098
Cleaning, Repair and Maintenance Services	5,130		5,130		5,130
Total Security	8,130		8,130	1,902	6,228
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	19,929		19,929	15,478	4,451
Contracted Services:					
Between Home and School - Vendors	36,135	(5,600)	30,535	17,901	12,634
Other Than Between Home and School - Vendors	20,720		20,720	14,962	5,758

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services (Cont'd):					
Contracted Services:					
Between Home and School - Joint Agreements	\$ 20,000	\$ (8,800)	\$ 11,200	\$ 9,765	\$ 1,435
Special Education Students - Joint Agreements	105,000	(35,000)	70,000	50,611	19,389
Regular Students - ESC's and CTSA's	282,000		282,000	265,000	17,000
Special Education Students - ESC's and CTSA's	142,000	20,000	162,000	144,813	17,187
Total Student Transportation Services	<u>625,784</u>	<u>(29,400)</u>	<u>596,384</u>	<u>518,530</u>	<u>77,854</u>
Unallocated Benefits:					
Social Security Contributions	91,000	14,642	105,642	105,642	
Other Retirement Contributions - PERS	90,000	(530)	89,470	79,334	10,136
Other Retirement Contributions - Regular	7,300	1,335	8,635	8,635	
Unemployment Compensation	10,000	(10,000)			
Workmen's Compensation	75,000	(30,003)	44,997	16,826	28,171
Health Benefits	1,031,000	7,600	1,038,600	931,649	106,951
Tuition Reimbursement	41,907	(3,000)	38,907	25,711	13,196
Other Employee Benefits	28,781	3,001	31,782	31,671	111
Total Unallocated Benefits	<u>1,374,988</u>	<u>(16,955)</u>	<u>1,358,033</u>	<u>1,199,468</u>	<u>158,565</u>
On-Behalf Contributions:					
On-Behalf TPAF Pension Contribution (Non-Budgeted)				435,353	(435,353)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				288,009	(288,009)
On-Behalf TPAF Long Term Disability Insurance (Non-Budgeted)				801	(801)
On-Behalf TPAF Non Contributory Insurance (Non-Budgeted)				10,565	(10,565)
Reimbursed TPAF Social Security (Non-Budgeted)				230,003	(230,003)
Total On-Behalf Contributions				<u>964,731</u>	<u>(964,731)</u>
Total Personal Services - Employee Benefits	<u>1,374,988</u>	<u>(16,955)</u>	<u>1,358,033</u>	<u>2,164,199</u>	<u>(806,166)</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Total Undistributed Expenses	\$ 8,177,148	\$ 9,634	\$ 8,186,782	\$ 8,628,497	\$ (441,715)
TOTAL GENERAL CURRENT EXPENSE	<u>11,260,636</u>		<u>11,260,636</u>	<u>11,619,566</u>	<u>(358,930)</u>
Transfer of Funds to Charter Schools	<u>44,045</u>		<u>44,045</u>	<u>29,325</u>	<u>14,720</u>
CAPITAL OUTLAY					
Regular Programs - Instruction:	40,000		40,000	18,002	21,998
Technology Equipment					
Undistributed Expenses:	<u>10,000</u>	<u>(2,096)</u>	<u>7,904</u>		<u>7,904</u>
Custodial Services					
Total Equipment	<u>50,000</u>	<u>(2,096)</u>	<u>47,904</u>	<u>18,002</u>	<u>29,902</u>
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	45,893	15,838	61,731	45,893	15,838
Construction Services	563,260	212,446	775,706	558,356	217,350
Other Objects - Debt Service Assessment	<u>230</u>		<u>230</u>	<u>230</u>	
Total Facilities Acquisition and Construction Services	<u>609,383</u>	<u>228,284</u>	<u>837,667</u>	<u>604,479</u>	<u>233,188</u>
TOTAL CAPITAL OUTLAY	<u>659,383</u>	<u>226,188</u>	<u>885,571</u>	<u>622,481</u>	<u>263,090</u>
TOTAL EXPENDITURES	<u>11,964,064</u>	<u>226,188</u>	<u>12,190,252</u>	<u>12,271,372</u>	<u>(81,120)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,179,207)</u>	<u>(226,188)</u>	<u>(1,405,395)</u>	<u>(197,083)</u>	<u>1,208,312</u>
Fund Balance, July 1	<u>3,737,505</u>		<u>3,737,505</u>	<u>3,737,505</u>	
Fund Balance, June 30	<u>\$ 2,558,298</u>	<u>\$ (226,188)</u>	<u>\$ 2,332,110</u>	<u>\$ 3,540,422</u>	<u>\$ 1,208,312</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	<u>Original</u>	<u>Budget</u>	<u>Final</u>	<u>Variance</u>
	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Final to Actual</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Final to Actual</u>
Recapitulation:				
Restricted:				
Reserve for Encumbrances	\$ 233,857			
Reserve for Excess Surplus	409,891			
Reserve for Excess Surplus - Designated for Subsequent Year's Expenditures	405,127			
Capital Reserve	1,678,484			
Maintenance Reserve	50,000			
Tuition Reserve Designated for 2018 - 2019	50,000			
Tuition Reserve Designated for 2019 - 2020	50,000			
Assigned:				
Designated for Subsequent Year's Expenditures	196,064			
Unassigned	466,999			
	<u>3,540,422</u>			
Reconciliation to Governmental Funds Statement (GAAP):				
Last Two State Aid Payments not Recognized on GAAP Basis	(55,733)			
Fund Balance per Governmental Funds (GAAP)	<u>\$ 3,484,689</u>			

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 125,000	\$ 2,152	\$ 2,152	\$ 800	\$ (1,352)
Federal Sources		39,343	164,343	152,442	(11,901)
Total Revenues	<u>\$ 125,000</u>	<u>\$ 41,495</u>	<u>\$ 166,495</u>	<u>\$ 153,242</u>	<u>\$ (13,253)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	\$ 20,000	\$ 16,030	\$ 36,030	\$ 28,165	\$ 7,865
Tuition	90,000	17,525	107,525	107,525	
General Supplies		1,642	1,642		1,642
Other Objects		500	500		500
Total Instruction	<u>110,000</u>	<u>35,697</u>	<u>145,697</u>	<u>135,690</u>	<u>10,007</u>
Support Services					
Personal Services - Employee Benefits		7,000	7,000	6,273	727
Purchased Professional/Educational Services	15,000	(5,302)	9,698	8,031	1,667
Supplies and Materials		4,100	4,100	3,248	852
Total Support Services	<u>15,000</u>	<u>5,798</u>	<u>20,798</u>	<u>17,552</u>	<u>3,246</u>
Total Expenditures	<u>\$ 125,000</u>	<u>\$ 41,495</u>	<u>\$ 166,495</u>	<u>\$ 153,242</u>	<u>\$ 13,253</u>

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,074,289	\$ 153,242
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not Current Year Encumbrances		(41)
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(55,733)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	54,618	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 12,073,174	\$ 153,201
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 12,271,372	\$ 153,242
Differences - Budget to GAAP		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue While the GAAP Basis Does Not Current Year Encumbrances		(41)
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 12,271,372	\$ 153,201

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m). All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during year).

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

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Elementary and Secondary Education Act			IDEA Part B	
	Title I	Title II Part A	Title IV	Basic	Preschool
REVENUE:					
Local Sources					
Federal Sources	\$ 34,438	\$ 4,100	\$ 6,379	\$ 103,513	\$ 4,012
Total Revenue	34,438	4,100	6,379	103,513	4,012
EXPENDITURES:					
Instruction:					
Salaries of Teachers	28,165			103,513	4,012
Tuition					
Total Instruction	28,165			103,513	4,012
Support Services:					
Personal Services - Employee Benefits	6,273				
Purchased Professional/Educational Services		4,100	3,931		
Supplies and Materials			2,448		
Total Support Services	6,273	4,100	6,379		
Total Expenditures	\$ 34,438	\$ 4,100	\$ 6,379	\$ 103,513	\$ 4,012

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Local Grants	Totals
REVENUE:		
Local Sources	\$ 800	\$ 800
Federal Sources		152,442
Total Revenue	800	153,242
EXPENDITURES:		
Instruction:		
Salaries of Teachers		28,165
Tuition		107,525
Total Instruction		135,690
Support Services:		
Personal Services - Employee Benefits		6,273
Purchased Professional/Educational Services		8,031
Supplies and Materials	800	3,248
Total Support Services	800	17,552
Total Expenditures	800	\$ 153,242

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOT APPLICABLE

**CAPITAL PROJECTS FUND
(NOT APPLICABLE)**

PROPRIETARY FUNDS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 31,218
Intergovernmental Receivable:	
Federal	3,846
State	149
Interfund Receivable	11,135
Inventory	2,236

Total Current Assets	<u>48,584</u>
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Non-Current Assets:

Capital Assets	108,180
Less: Accumulated Depreciation	<u>(100,002)</u>

Total Non-Current Assets	<u>8,178</u>
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Total Assets	<u>56,762</u>
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LIABILITIES:

Accounts Payable	9,800
Unearned Revenue - Prepaid Sales	1,422
Unearned Revenue - Donated Commodities	<u>577</u>

Total Liabilities	<u>11,799</u>
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NET POSITION:

Investment in Capital Assets	8,178
Unrestricted	<u>36,785</u>

Total Net Position	<u><u>\$ 44,963</u></u>
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BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 76,435
Daily Sales - Nonreimbursable Programs	32,819
	<hr/>
Total Operating Revenue	109,254
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	65,560
Cost of Sales - Nonreimbursable Programs	13,734
Salaries, Benefits & Payroll Taxes	65,362
Supplies, Insurance & Other Costs	6,756
Management Fee	8,056
Depreciation Expense	2,603
	<hr/>
Total Operating Expenses	162,071
	<hr/>
Operating Loss	(52,817)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	37,196
School Breakfast Program	7,907
Food Distribution Program	13,180
State Sources:	
State School Lunch Program	1,701
Local Sources:	
Interest Income	250
	<hr/>
Total Non-Operating Revenue	60,234
	<hr/>
Change in Net Position	7,417
	<hr/>
Net Position - Beginning of Year	37,546
	<hr/>
Net Position - End of Year	\$ 44,963
	<hr/> <hr/>

BOROUGH OF MOUNT ARLINGTON 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	\$ 113,760
Payments to Food Service Vendor	(173,617)
	(59,857)
Net Cash (Used for) Operating Activities	(59,857)
Cash Flows from Noncapital Financing Activities:	
State Subsidy Reimbursements	1,679
Federal Subsidy Reimbursements	45,142
	46,821
Net Cash Provided by Noncapital Financing Activities	46,821
Cash Flows from Investing Activities:	
Interest on Investments	250
	250
Net Cash Provided by Investing Activities	250
Net Decrease in Cash and Cash Equivalents	(12,786)
Cash and Cash Equivalents, July 1	44,004
Cash and Cash Equivalents, June 30	\$ 31,218
Reconciliation of Operating Loss to	
Net Cash (Used for) Operating Activities:	
Operating Loss	\$ (52,817)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	2,603
Food Distribution Program	13,180
Changes in Assets and Liabilities:	
Decrease in Interfund Receivable	3,974
Decrease in Inventory	439
Decrease in Accounts Payable	(27,370)
Increase in Unearned Revenue - Prepaid Sales	532
(Decrease) in Unearned Revenue - Donated Commodities	(398)
	(59,857)
Net Cash (Used for) Operating Activities	\$ (59,857)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received U.S.D.A. Commodities through the Food Distribution Program valued at \$12,782 and utilized U.S.D.A. Commodities valued at \$13,180.

FIDUCIARY FUNDS

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency			Flexible		Unemployment
	Student	Payroll	Total	Spending	Trust	Compensation
	Activity	Payroll	Total	Trust	Trust	Trust
ASSETS:						
Cash and Cash Equivalents	\$ 24,774	\$ 191,116	\$ 215,890	\$ 3,677		\$ 11
Intrafund Receivable				19,658		16,847
Total Assets	24,774	191,116	215,890	23,335		16,858
LIABILITIES:						
Payroll Deductions and Withholdings		45,015	45,015			
Net Salaries and Wages		12,071	12,071			
Intrafund Payable		36,505	36,505			
Interfund Payable		97,525	97,525	7,000		
Due to Student Groups	24,774		24,774			
Total Liabilities	24,774	191,116	215,890	7,000		
NET POSITION:						
Held in Trust for:						
Unemployment Claims						16,858
Flexible Spending Claims				16,335		
Total Net Position	\$ -0-	\$ -0-	\$ -0-	\$ 16,335		\$ 16,858

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
ADDITIONS:		
Contributions:		
Employee Deductions	\$ 8,593	\$ 12,438
Total Contributions	<u>8,593</u>	<u>12,438</u>
Investment Earnings	<u>44</u>	<u>14</u>
Total Additions	<u>8,637</u>	<u>12,452</u>
DEDUCTIONS:		
Unemployment Claims and Contributions		9,144
Flexible Spending Claims	<u>9,761</u>	
Total Deductions	<u>9,761</u>	<u>9,144</u>
Change in Net Position	(1,124)	3,308
Net Position - Beginning of the Year	<u>17,459</u>	<u>13,550</u>
Net Position - End of the Year	<u>\$ 16,335</u>	<u>\$ 16,858</u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 23,047	\$ 57,670	\$ 55,943	\$ 24,774
Total Assets	<u>\$ 23,047</u>	<u>\$ 57,670</u>	<u>\$ 55,943</u>	<u>\$ 24,774</u>
LIABILITIES:				
Due to Student Groups	\$ 23,047	\$ 57,670	\$ 55,943	\$ 24,774
Total Liabilities	<u>\$ 23,047</u>	<u>\$ 57,670</u>	<u>\$ 55,943</u>	<u>\$ 24,774</u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
School Class Account	<u>\$ 23,047</u>	<u>\$ 57,670</u>	<u>\$ 55,943</u>	<u>\$ 24,774</u>
Total All Schools	<u><u>\$ 23,047</u></u>	<u><u>\$ 57,670</u></u>	<u><u>\$ 55,943</u></u>	<u><u>\$ 24,774</u></u>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 173,178	\$ 4,847,026	\$ 4,829,088	\$ 191,116
Total Assets	<u>\$ 173,178</u>	<u>\$ 4,847,026</u>	<u>\$ 4,829,088</u>	<u>\$ 191,116</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 40,843	\$ 2,234,716	\$ 2,230,544	\$ 45,015
Intrafund Payable	25,871	10,634		36,505
Interfund Payable	99,525		2,000	97,525
Net Salaries and Wages	6,939	2,601,676	2,596,544	12,071
Total Liabilities	<u>\$ 173,178</u>	<u>\$ 4,847,026</u>	<u>\$ 4,829,088</u>	<u>\$ 191,116</u>

LONG-TERM DEBT

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

Purpose	Date of Issue	Original Issue	Maturities of				Matured	Balance June 30, 2018
			Bonds Outstanding June 30, 2018	Interest Rate	Balance June 30, 2017	Balance June 30, 2018		
			Date	Amount	Rate			
Refunding Bonds	09/14/05	\$ 3,260,000	1/15/2019	\$ 160,000	4.000%			
			1/15/2020	165,000	4.000%			
			1/15/2021	170,000	4.000%			
			1/15/2022	180,000	4.000%			
			1/15/2023	185,000	4.000%			
			1/15/2024	190,000	4.000%			
			1/15/2025	200,000	4.000%			
			1/15/2026	210,000	4.000%			
			1/15/2027	215,000	4.000%			
			1/15/2028	220,000	4.000%	\$ 150,000	\$ 1,895,000	
						\$ 2,045,000	\$ 1,895,000	

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOT APPLICABLE

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
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	\$ 231,800		\$ 231,800	\$ 231,800	
Total Revenues	231,800		231,800	231,800	
EXPENDITURES:					
Regular Debt Service:					
Interest	81,800		81,800	81,800	
Redemption of Principal	150,000		150,000	150,000	
Total Regular Debt Service	231,800		231,800	231,800	
Total Expenditures	231,800		231,800	231,800	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures					
Fund Balance, July 1				1	1
Fund Balance, June 30	\$ -0-	\$ -0-	\$ -0-	\$ 1	\$ 1
Recapitulation:					
Restricted for Subsequent Year's Expenditures			\$ 1	\$ 1	\$ 1

STATISTICAL SECTION
(UNAUDITED)

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

Contents

	<u>Exhibit</u>
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	J-1 thru J-5
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.	J-6 thru J-9
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 thru J-13
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	J-14 thru J-15
Operating Information These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	J-16 thru J-20

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

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

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Net Investment in Capital Assets	\$ 1,577,020	\$ 1,581,654	\$ 1,682,703	\$ 2,190,115	\$ 2,425,170	\$ 2,924,264	\$ 3,611,901	\$ 3,799,984	\$ 4,070,389	\$ 4,536,369
Restricted	634,915	1,090,538	1,223,726	1,577,761	2,460,749	1,792,806	1,892,178	2,305,167	2,557,873	2,643,503
Unrestricted/(Deficit)	243,054	294,915	556,112	477,145	243,179	(264,411)	(839,382)	(719,554)	(630,135)	(1,013,833)
Total governmental activities net position	\$ 2,454,989	\$ 2,967,107	\$ 3,462,541	\$ 4,245,021	\$ 5,129,098	\$ 4,452,659	\$ 4,664,697	\$ 5,385,597	\$ 5,998,127	\$ 6,166,039
Business-type Activities:										
Investment in Capital Assets	\$ 20,697	\$ 17,053	\$ 13,587	\$ 23,553	\$ 19,378	\$ 20,478	\$ 15,987	\$ 13,384	\$ 10,781	\$ 8,178
Unrestricted	45,699	40,966	39,502	37,915	37,847	34,613	37,259	38,537	26,765	36,785
Total business-type activities net position	\$ 66,396	\$ 58,019	\$ 53,089	\$ 61,468	\$ 57,225	\$ 55,091	\$ 53,246	\$ 51,921	\$ 37,546	\$ 44,963
District-wide:										
Net Investment in Capital Assets	\$ 1,597,717	\$ 1,598,707	\$ 1,696,290	\$ 2,213,668	\$ 2,444,548	\$ 2,944,742	\$ 3,627,888	\$ 3,813,368	\$ 4,081,170	\$ 4,544,547
Restricted	634,915	1,090,538	1,223,726	1,577,761	2,460,749	1,792,806	1,892,178	2,305,167	2,557,873	2,643,503
Unrestricted/(Deficit)	288,753	335,881	595,614	515,060	281,026	(229,798)	(802,123)	(681,015)	(603,370)	(977,048)
Total District Net Position	\$ 2,521,385	\$ 3,025,126	\$ 3,515,630	\$ 4,306,489	\$ 5,186,323	\$ 4,507,750	\$ 4,717,943	\$ 5,437,518	\$ 6,035,673	\$ 6,211,002

Source: School District Financial Reports.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

Fiscal Year Ending June 30,

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 2,528,689	\$ 2,683,270	\$ 2,571,625	\$ 2,680,990	\$ 3,001,062	\$ 3,127,551	\$ 3,708,862	\$ 3,926,699	\$ 4,505,342	\$ 4,819,145
Special Education	1,053,335	1,128,097	898,094	660,316	742,111	689,550	891,387	982,122	1,189,732	1,357,508
Other Special Instruction	69,168	132,778	31,848	156,166	31,846	35,390	51,575	74,419	89,471	26,899
School Sponsored Instruction	73,413	16,985	3,492	9,325	17,958	107,622	104,470	109,371	131,214	148,393
Support Services:										
Tuition	3,386,585	3,298,984	3,428,109	3,010,648	3,029,931	3,069,283	3,509,957	3,483,215	3,255,458	3,669,576
Student & Instruction Related Services	962,906	941,725	788,211	1,038,707	1,040,564	1,094,672	1,248,399	1,139,183	1,258,706	1,336,810
General Administrative Services	340,563	352,280	356,333	354,269	359,353	297,909	319,315	320,743	357,010	331,226
School Administrative Services	220,296	237,765	189,098	211,121	189,053	213,480	246,605	290,653	182,029	335,958
Central Services	99,580	112,909	161,217	157,106	183,459	198,757	206,505	222,618	210,617	221,107
Plant Operations and Maintenance	665,137	713,750	678,469	642,281	661,216	661,037	716,039	715,012	858,359	835,882
Pupil Transportation	455,249	492,486	511,725	503,858	466,672	564,266	465,746	470,149	490,019	518,530
Unallocated Depreciation			122,195	128,231	138,979	93,949	278,359	200,695	241,797	241,797
Capital Outlay	23,850	23,416	288	39,797	107,967	37,860	230	230	230	12,431
Interest on Long-Term Debt	120,794	117,217	113,407	109,432	105,389	100,835	96,142	90,467	85,217	79,050
Charter Schools			11,498	50,909	24,930	38,415	51,762	40,342	42,772	29,325
Total Governmental Activities Expenses	9,999,565	10,251,662	9,865,609	9,753,156	10,100,490	10,330,576	11,895,353	12,065,918	12,897,973	13,963,637
Business-type Activities:										
Food Service	130,194	149,650	148,138	146,972	127,284	118,756	133,598	144,867	169,352	162,071
Total Business-type Activities Expenses	130,194	149,650	148,138	146,972	127,284	118,756	133,598	144,867	169,352	162,071
Total District Expenses	10,129,759	10,401,312	10,013,747	9,900,128	10,227,774	10,449,332	12,028,951	12,210,785	13,067,325	14,125,708
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)	28,872	18,647	17,254							
Operating Grants and Contributions	1,265,201	739,454	1,109,685	1,145,954	1,378,670	1,295,596	2,212,445	2,537,058	3,242,679	3,499,827
Capital Grants and Contributions		32,514	4,200	1,800			117,781	176,672		
Total Governmental Activities Program Revenues	1,294,073	790,615	1,131,139	1,147,754	1,378,670	1,295,596	2,330,226	2,713,730	3,242,679	3,499,827

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT

CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)
UNAUDITED

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Business-type Activities:										
Charges for Services:										
Food Service	110,337	109,140	106,514	106,463	89,901	86,475	89,042	93,790	98,441	109,254
Operating Grants and Contributions	30,301	32,133	36,694	34,749	33,133	29,999	42,594	49,709	56,457	59,984
Total Business-type Activities Revenues	140,638	141,273	143,208	141,212	123,034	116,474	131,636	143,499	154,898	169,238
Total District Program Revenues	1,434,711	931,888	1,274,347	1,288,966	1,501,704	1,412,070	2,461,862	2,857,229	3,397,577	3,669,065
Net (Expense)/Revenue										
Governmental Activities	\$ (8,705,492)	\$ (9,461,047)	\$ (8,734,470)	\$ (8,605,402)	\$ (8,721,820)	\$ (9,034,980)	\$ (9,565,127)	\$ (9,352,188)	\$ (9,655,294)	\$ (10,463,810)
Business-type Activities	10,444	(8,377)	(4,930)	(5,760)	(4,250)	(2,282)	(1,962)	(1,368)	(14,454)	7,167
Total District-wide Net (Expense)/Revenue	(8,695,048)	(9,469,424)	(8,739,400)	(8,611,162)	(8,726,070)	(9,037,262)	(9,567,089)	(9,353,556)	(9,669,748)	(10,456,643)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	8,567,494	8,752,714	8,746,381	8,921,309	9,099,735	9,281,730	9,467,364	9,738,377	9,933,144	10,227,375
Taxes Levied for Debt Service	223,267	233,906	235,194	236,294	232,231	233,013	233,463	238,400	232,600	231,800
Unrestricted Grants and Contributions	139,593	604,377	16,606	207,123	170,798	190,541	58,384	59,947	64,155	64,986
Tuition Charges										44,293
Investment Earnings	103	25	9,206	8,906	3,028	6,029	948	958	2,402	7,682
Miscellaneous Income	133,100	382,143	222,517	28,389	100,105	79,482	17,006	35,406	35,523	55,586
Transfers				(14,139)						
Total Governmental Activities	9,063,557	9,973,165	9,229,904	9,387,882	9,605,897	9,790,795	9,777,165	10,073,088	10,267,824	10,631,722
Business-type Activities:										
Investment Earnings	44			14,139	7	148	117	43	79	250
Transfers										
Total Business-type Activities	44			14,139	7	148	117	43	79	250
Total District-wide	9,063,601	\$ 9,973,165	\$ 9,229,904	9,402,021	9,605,904	9,790,943	9,777,282	10,073,131	10,267,903	10,631,972
Change in Net Position										
Governmental Activities	358,065	512,118	495,434	782,480	884,077	755,815	212,038	720,900	612,530	167,912
Business-type Activities	10,488	(8,377)	(4,930)	8,379	(4,243)	(2,134)	(1,845)	(1,325)	(14,375)	7,417
Total District	\$ 368,553	\$ 503,741	\$ 490,504	\$ 790,859	\$ 879,834	\$ 753,681	\$ 210,193	\$ 719,575	\$ 598,155	\$ 175,329

Source: School District Financial Reports.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT

FUND BALANCES

GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved/Restricted	\$ 634,890	\$ 1,090,538	\$ 1,215,159	\$ 1,571,644	\$ 1,615,711	\$ 1,792,806	\$ 1,892,177	\$ 2,305,166	\$ 2,557,872	\$ 2,643,502
Unreserved	344,883	376,262								
Assigned			208,567	221,117	513,878	447,770	422,778	542,839	755,851	429,921
Unassigned			436,272	341,831	321,698	351,629	375,228	330,947	369,164	411,266
Total General Fund	\$ 979,773	\$ 1,466,800	\$ 1,859,998	\$ 2,134,592	\$ 2,451,287	\$ 2,592,205	\$ 2,690,183	\$ 3,178,952	\$ 3,682,887	\$ 3,484,689
All Other Governmental Funds:										
Reserved/Restricted					\$ 303,249		\$ 1	\$ 1	\$ 1	\$ 1
Committed					27,911	\$ 427,947				
Unreserved, Reported in:										
Debt Service Fund	\$ 25									
Unassigned/(Deficit):										
Capital Projects Fund							(119,566)			
Total All Other Governmental Funds	\$ 25	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 331,160	\$ 427,947	\$ (119,565)	\$ 57,107	\$ 1	\$ 1
Total All Governmental Funds:										
Reserved/Restricted	\$ 634,890	\$ 1,090,538	\$ 1,215,159	\$ 1,571,644	\$ 1,918,960	\$ 1,792,806	\$ 1,892,178	\$ 2,305,167	\$ 2,557,873	\$ 2,643,503
Committed					27,911	427,947		57,106		
Unreserved	344,908	376,262	208,567	221,117	513,878	447,770	422,778	542,839	755,851	429,921
Assigned			436,272	341,831	321,698	351,629	255,662	330,947	369,164	411,266
Unassigned										
Total All Governmental Funds	\$ 979,798	\$ 1,466,800	\$ 1,859,998	\$ 2,134,592	\$ 2,782,447	\$ 3,020,152	\$ 2,570,618	\$ 3,236,059	\$ 3,682,888	\$ 3,484,690

Source: School District Financial Reports.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

Fiscal Year Ending June 30,

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax Levy	\$ 8,790,761	\$ 8,986,620	\$ 8,981,575	\$ 9,157,603	\$ 9,331,966	\$ 9,514,743	\$ 9,700,827	\$ 9,976,777	\$ 10,165,744	\$ 10,459,175
Tuition Charges	28,872	18,647	17,254							44,293
Interest Earnings	103	25	2,209	3,473	3,028	6,029	948	958	2,402	7,682
Miscellaneous	133,100	382,143	231,014	33,822	107,830	88,552	19,581	41,214	40,500	56,386
Other Sources	2,000									
State Sources	1,220,155	1,071,501	942,802	1,173,323	1,335,185	1,306,296	1,534,795	1,683,742	1,645,719	1,738,238
Federal Sources	182,639	304,844	186,189	181,554	206,558	170,771	148,442	156,210	160,676	152,401
Total Revenues	10,357,630	10,763,780	10,361,043	10,549,775	10,984,567	11,086,391	11,404,593	11,858,901	12,015,041	12,458,175
Expenditures										
Instruction:										
Regular Instruction	1,762,503	1,852,346	1,857,203	1,922,910	2,066,742	2,297,870	2,171,983	2,127,790	2,148,358	2,260,339
Special Education Instruction	821,890	880,935	648,581	465,620	509,134	481,046	523,612	552,087	610,295	674,543
Other Instruction	54,600	46,628	19,481	108,483	16,477	27,919	37,522	39,184	43,211	12,260
School Sponsored Instruction	56,951	62,488	8,338	6,496	18,465	75,210	60,237	60,756	63,191	72,092
Support Services:										
Tuition	3,386,585	3,298,984	3,428,109	3,010,648	3,029,931	3,069,283	3,509,957	3,483,215	3,255,458	3,669,576
Student & Instruction Related Services	763,955	744,039	615,862	818,502	828,711	876,015	1,009,145	896,226	983,581	1,045,488
General Administrative Services	286,258	291,091	294,801	299,658	307,757	253,530	270,740	269,352	297,104	279,932
School Administrative Services	158,318	173,379	136,413	148,874	130,159	149,593	153,263	160,935	136,061	168,787
Central Services	88,429	101,404	131,826	126,504	150,622	159,501	163,540	175,367	165,980	172,233
Plant Operations and Maintenance	597,777	646,515	731,873	578,578	595,048	589,716	651,266	629,589	756,645	734,788
Pupil Transportation	450,591	487,680	507,611	500,360	462,966	559,703	460,759	464,854	490,019	518,530
Unallocated Benefits	1,368,224	1,395,009	1,336,567	1,415,874	1,569,065	1,566,216	1,656,084	1,750,544	1,923,232	2,164,199
Charter Schools	23,850	23,416	11,498	50,909	24,930	38,415	51,762	40,342	42,772	29,325
Capital Outlay	237,726	38,933	4,488	571,332	394,474	471,656	900,795	304,819	419,705	622,481
Debt Service:										
Principal	110,000	115,000	120,000	125,000	125,000	130,000	135,000	145,000	145,000	150,000
Interest and Other Charges	122,369	118,931	115,194	111,294	107,231	103,013	98,462	93,400	87,600	81,800
Total Expenditures	10,290,026	10,276,778	9,967,845	10,261,042	10,336,712	10,848,686	11,854,127	11,193,460	11,568,212	12,656,373
Excess (Deficiency) of Revenues Over (Under) Expenditures	67,604	487,002	393,198	288,733	647,855	237,705	(449,534)	665,441	446,829	(198,198)

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

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources (Uses)										
Transfers In				\$ 542,722	\$ 346,000	\$ 433,194	\$ 40,000		\$ 57,106	
Transfers Out				(556,861)	(346,000)	(433,194)	(40,000)		(57,106)	
Total Other Financing Sources (Uses)				(14,139)						
Net Change in Fund Balances	\$ 67,604	\$ 487,002	\$ 393,198	\$ 274,594	\$ 647,855	\$ 237,705	\$ (449,534)	\$ 665,441	\$ 446,829	\$ (198,198)
Debt Service as a Percentage of Noncapital Expenditures	2.31%	2.28%	2.36%	2.44%	2.34%	2.25%	2.13%	2.19%	2.09%	1.93%

Source: School District Financial Reports.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2009	\$ 28,872	\$ 18,533	\$ 9,866	\$ 104,804	\$ 162,075
2010	18,647	10,905		370,158	399,710
2011	17,254	9,206	197,348	25,169	248,977
2012		8,906	11,813	16,576	37,295
2013	3,428	7,159	87,669	4,877	103,133
2014		6,029	77,433	2,049	85,511
2015		6,317	17	11,620	17,954
2016		6,388		29,976	36,364
2017		16,016	4,785	17,124	37,925
2018	44,293	51,212	5,639	6,417	107,561

Source: Borough of Mount Arlington School District records.

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

Year Ended December 31,	Vacant Land	Residential	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Add: Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2008	\$ 17,062,800	\$ 583,095,900	\$ 6,600	\$ 69,103,400	\$ 234,200	\$ 21,200,000	\$ 690,702,900	\$ 25,948,500	\$ 700,788	\$ 691,403,688	1.270	\$ 856,015,461
2009	15,397,100	588,267,000	6,600	68,901,100	234,200	21,200,000	694,006,000	26,207,200	748,832	694,754,832	1.279	861,040,511
2010	14,412,100	582,566,100	6,600	68,131,300	234,200	21,200,000	686,550,300	26,302,000		686,550,300	1.280	838,688,370
2011	12,513,500	584,535,500	6,600	64,167,500	234,200	20,700,000	682,157,300	26,302,000		682,157,300	1.330	834,313,587
2012	12,418,800	582,055,600	6,600	63,866,600	234,200	20,700,000	679,281,800	26,302,000		679,281,800	1.361	757,281,828
2013	10,764,400	585,902,700	6,600	63,866,600	234,200	20,700,000	681,474,500	25,649,400		681,474,500	1.383	760,593,072
2014	9,834,500	589,915,700	6,500	63,866,600	234,200	20,700,000	684,557,500	25,110,900		684,557,500	1.404	754,562,774
2015	9,050,700	597,336,100	6,500	62,998,700	234,200	20,700,000	690,326,200	25,110,900		690,326,200	1.425	754,562,774
2016	8,615,000	598,737,300	6,500	63,553,700	234,200	20,700,000	691,846,700	26,318,600		691,846,700	1.456	755,909,710
2017	19,452,000	603,740,800	6,300	63,559,700	234,200	20,700,000	707,693,000	62,729,600		707,693,000	1.457	782,394,403

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

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

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

Source: Municipal Tax Assessor.

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

Year Ended December 31,	Borough of Mount Arlington School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Mount Arlington	Morris County	
2008	\$ 1.238	\$ 0.032	\$ 1.270	\$ 0.572	\$ 0.289	\$ 2.131
2009	1.245	0.034	1.279	0.634	0.282	2.195
2010	1.247	0.033	1.280	0.633	0.283	2.196
2011	1.296	0.034	1.330	0.770	0.290	2.390
2012	1.327	0.034	1.361	0.794	0.288	2.443
2013	1.349	0.034	1.383	0.814	0.282	2.479
2014	1.370	0.034	1.404	0.834	0.282	2.520
2015	1.391	0.034	1.425	0.845	0.279	2.549
2016	1.423	0.033	1.456	0.845	0.279	2.580
2017	1.425	0.032	1.457	0.818	0.287	2.562

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

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

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

Source: Municipal Tax Collector and School Business Administrator.

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

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Valley Road Development Urban Renewal #1	\$ 18,250,000	1	2.68%			
Valley Road Development Urban Renewal #2	18,250,000	2	2.68%			
Mount Arlington Investors, LLC	13,406,300	3	1.97%			
Mount Arlington Corporate Center #1	8,947,900	4	1.31%			
Carriage Club Investors, LLC	8,500,000	5	1.25%			
SNH NS Properties Trust	6,200,000	6	0.91%			
Valley Road Development Urban Renewal #3	5,250,000	7	0.77%			
Valley Road Development Urban Renewal #4	5,250,000	8	0.77%			
Orchards at Mt. Arlington LLC	5,198,100	9	0.76%			
Mount Arlington Corporate Center #2	4,910,200	10	0.72%			
Total	<u>\$ 94,162,500</u>		<u>13.82%</u>			

Not Available

Source: Municipal Tax Assessor.

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 8,790,761	\$ 8,790,761	100.00%	-0-
2010	8,986,620	8,986,620	100.00%	-0-
2011	8,981,575	8,981,575	100.00%	-0-
2012	9,157,603	9,157,603	100.00%	-0-
2013	9,331,966	9,331,966	100.00%	-0-
2014	9,514,743	9,514,743	100.00%	-0-
2015	9,700,827	9,700,827	100.00%	-0-
2016	9,976,777	9,976,777	100.00%	-0-
2017	10,165,744	10,165,744	100.00%	-0-
2018	10,459,175	10,459,175	100.00%	-0-

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

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

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2009	\$ 3,085,000	-0-	\$ 3,085,000	1.02%	\$ 724.52
2010	2,970,000	-0-	2,970,000	0.79%	589.52
2011	2,850,000	-0-	2,850,000	0.73%	562.24
2012	2,725,000	-0-	2,725,000	0.66%	529.95
2013	2,600,000	-0-	2,600,000	0.62%	503.29
2014	2,470,000	-0-	2,470,000	0.56%	471.10
2015	2,335,000	-0-	2,335,000	0.50%	442.82
2016	2,190,000	-0-	2,190,000	0.45%	401.10
2017	2,045,000	-0-	2,045,000	0.39%	348.50
2018	1,895,000	-0-	1,895,000	0.36%	322.94

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

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

Source: School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 3,085,000	\$ -0-	\$ 3,085,000	0.446%	\$ 724.52
2010	2,970,000	-0-	2,970,000	0.427%	589.52
2011	2,850,000	-0-	2,850,000	0.415%	562.24
2012	2,725,000	-0-	2,725,000	0.399%	529.95
2013	2,600,000	-0-	2,600,000	0.383%	503.29
2014	2,470,000	-0-	2,470,000	0.362%	471.10
2015	2,335,000	-0-	2,335,000	0.341%	442.82
2016	2,190,000	-0-	2,190,000	0.317%	401.10
2017	2,045,000	-0-	2,045,000	0.296%	348.50
2018	1,895,000	-0-	1,895,000	0.268%	322.94

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

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

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

Source: School District Financial Reports.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Mount Arlington	\$ 3,055,000	100.00%	\$ 3,055,000
Morris County General Obligation Debt	217,187,521	0.84%	1,821,205
Subtotal, Overlapping Debt			4,876,205
Borough of Mount Arlington School District Direct Debt			2,045,000
Total Direct and Overlapping Debt			<u>\$ 6,921,205</u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized valuation basis

	2017	\$ 781,118,102
	2016	764,133,753
	2015	753,466,710
		\$ 2,298,718,565

	\$ 766,239,522
Average Equalized Valuation of Taxable Property	22,987,186
Debt Limit (3% of average equalization value) ^a	1,895,000
Net Bonded School Debt as of June 30, 2018	\$ 21,092,186

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 25,365,260	\$ 26,049,678	\$ 25,813,119	\$ 25,272,883	\$ 23,970,944	\$ 23,087,634	\$ 22,658,156	\$ 22,757,769	\$ 22,757,769	\$ 22,987,186
Total Net Debt Applicable to Limit	3,085,000	2,970,000	2,850,000	2,725,000	2,600,000	2,470,000	2,335,000	2,190,000	2,045,000	1,895,000
Legal Debt Margin	\$ 22,280,260	\$ 23,079,678	\$ 22,963,119	\$ 22,547,883	\$ 21,370,944	\$ 25,272,883	\$ 20,323,156	\$ 20,567,769	\$ 20,712,769	\$ 21,092,186
Total Net Debt Applicable to the Limit	12.16%	11.40%	11.04%	10.78%	10.85%	10.70%	10.31%	9.62%	8.99%	8.24%
As a Percentage of Debt Limit										

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

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

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

Year	Population ^a	Personal Income ^b	Morris County Per Capita Personal Income ^c	Unemployment Rate ^d
2009	4,258	\$ 303,855,138	\$ 71,361	7.00%
2010	5,038	375,129,480	74,460	7.00%
2011	5,069	391,362,283	77,207	7.00%
2012	5,142	411,498,834	80,027	6.80%
2013	5,166	417,764,088	80,868	7.10%
2014	5,243	438,770,941	83,687	5.70%
2015	5,273	463,475,608	87,896	5.00%
2016	5,460	486,294,900	89,065	4.30%
2017	5,868	522,633,420 ***	89,065 **	3.60%
2018	5,868 *	522,633,420 ***	89,065 **	N/A

* - Latest Morris County population available (2017) was used for calculation purposes.

** - Latest Morris County per capita personal income available (2016) was used for calculation purposes.

***- Latest available population data (2017) and latest Morris County per capita personal income (2016) was used for calculation purposes

N/A - Not Available

Source:

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

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

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

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

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

Employer	2018		2009		Percentage of Total Employment
	Employees	Percentage of Total Employment	Employer	Employees	
Picatinny Arsenal	6,000	2.31%	Novartis Corporation	5,000	N/A
Atlantic Health System	5,455	2.10%	Atlantic Health	4,045	N/A
Novartis	4,220	1.62%	U.S. Army Armament R&D	3,412	N/A
Bayer	2,800	1.08%	County of Morris	2,170	N/A
ADP	2,266	0.87%	Lucent Technology	1,983	N/A
Honeywell	1,838	0.71%	United Parcel Service	1,941	N/A
Wyndham Worldwide	1,708	0.66%	Wyndham Worldwide	1,371	N/A
St. Clare's Health System	1,688	0.65%	Greystone Psychiatric Center	1,296	N/A
BASF Corporation	1,400	0.54%	Tiffany & Company	1,200	N/A
Pricewaterhouse Coopers	1,360	0.52%	Accenture	1,200	N/A
Total	28,735	11.06%		23,618	N/A
Total County Labor Force	259,911			N/A	

* - Employment data provided by the NJ Department of Labor and Workforce Development

N/A - Not Available

Source: Morris County Treasurer's Office

N/A - Information not available

Source: Morris County Treasurer's Office

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

UNAUDITED

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction:										
Regular	25.8	26.0	26.2	26.2	28.2	30.8	29.1	29.6	29.9	29.9
Special Education	27.2	21.0	20.0	19.2	24.2	21.6	21.6	22.2	22.2	24.5
Other Special Instruction		1.5								
Support Services:										
Student & Instruction Related Services	5.2	4.5	2.9	2.1	1.0	1.3	3.9	3.9	3.9	3.9
General Administrative Services	1.5	1.5	1.5	1.5	1.3	1.3	1.4	1.6	1.6	1.6
School Administrative Services	4.0	4.0	1.7	2.0	2.0	2.0	1.8	2.0	2.0	2.0
Central Services	2.0	2.0	2.0	2.0	1.5	1.5	1.5	1.5	1.5	1.5
Plant Operations and Maintenance	5.5	5.5	5.5	5.5	5.3	5.2	5.2	5.2	5.2	5.2
Pupil Transportation	0.5	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total	71.7	66.5	60.1	58.8	63.8	64.0	64.7	66.3	66.6	68.9

Source: District Personnel Records.

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

Fiscal Year	Pupil/Teacher Ratio										
	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Elementary	Middle School	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	578.5	* \$ 9,819,931	\$ 16,975	7.07%	53.0	1:07	1:08	387.8	370.9	2.35%	95.64%
2010	571.0	* \$ 10,003,914	17,520	3.21%	48.5	1:07	1:08	383.3	364.8	-1.16%	95.17%
2011	572.5	* 9,728,163	16,992	-3.01%	46.2	1:07	1:08	373.0	356.0	-2.69%	95.44%
2012	553.0	* 9,453,416	17,095	0.60%	45.4	1:07	1:08	363.0	352.0	-2.68%	96.97%
2013	535.0	* 9,710,007	18,150	6.17%	46.0	1:07	1:08	356.0	339.5	-1.93%	95.37%
2014	486.0	* 10,144,017	20,872	15.00%	43.8	1:07	1:08	342.5	329.6	-3.79%	96.23%
2015	516.0	* 10,719,870	20,775	-0.47%	39.9	1:07	1:08	347.3	332.2	1.41%	95.66%
2016	522.0	* 10,650,241	20,403	-1.79%	39.9	1:07	1:08	346.4	331.4	-0.26%	95.67%
2017	521.0	* 10,915,907	20,952	2.69%	39.9	1:07	1:08	351.5	335.8	1.47%	95.53%
2018	543.0	* 11,802,092	21,735	3.74%	40.1	1:07	1:08	347.7	332.4	-1.08%	95.60%

* - Includes High School Enrollment

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

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

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

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

Note: Enrollment based on annual October District count.

Source: Borough of Mount Arlington School District records.

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>District Building</u>					
Edith M. Decker School (1975)					
Square Feet	24,094	24,094	24,094	24,094	24,094
Capacity (students)	142	142	142	142	142
Enrollment	127	130	123	120	105
Mount Arlington Public School (1917)					
Square Feet	49,138	49,138	49,138	49,138	49,138
Capacity (students)	339	339	339	339	339
Enrollment	248	247	250	243	238
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>District Building</u>					
Edith M. Decker School (1975)					
Square Feet	24,094	24,094	24,094	24,094	24,094
Capacity (students)	142	142	142	142	142
Enrollment	105	107	103	104	124
Mount Arlington Public School (1917)					
Square Feet	49,138	49,138	49,138	49,138	49,138
Capacity (students)	339	339	339	339	339
Enrollment	238	240	251	248	223

Number of Schools at June 30, 2018

Elementary = 1

Middle School = 1

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

Source: Borough of Mount Arlington School District Facilities Office.

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

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

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Edith M. Decker School	N/A	\$ 44,079	\$ 23,550	\$ 19,985	\$ 32,356	\$ 33,279
Mount Arlington School	N/A	53,144	90,845	144,649	64,712	57,082
Grand Total		<u>\$ 97,223</u>	<u>\$114,395</u>	<u>\$164,634</u>	<u>\$ 97,068</u>	<u>\$ 90,361</u>

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Edith M. Decker School	N/A	\$ 35,850	\$ 40,332	\$ 52,391	\$ 56,392	64,539
Mount Arlington School	N/A	77,150	98,251	89,201	158,653	152,451
Grand Total		<u>\$113,000</u>	<u>\$138,583</u>	<u>\$141,592</u>	<u>\$215,045</u>	<u>\$216,990</u>

N/A - Not Applicable.

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

Source: Mount Arlington Board of Education records.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

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

Source: Mount Arlington Board of Education records.

SINGLE AUDIT SECTION

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Mount Arlington School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 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 January 18, 2019.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

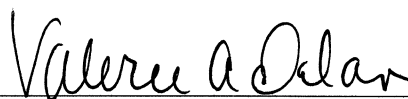
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

Mount Arlington, New Jersey
January 18, 2019

NISIVOCCIA LLP



Valerie A. Dolan
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Report on Compliance For Each Major State Program
 and Report on Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Borough of Mount Arlington School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2018. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Mount Arlington, New Jersey
January 18, 2019

NISIVOCCIA LLP



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

**BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2017 Unearned Revenue/ (Accounts Receivable)	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Balance at June 30, 2018	
			From	To						Unearned Revenue	Due to Grantor
U.S. Department of Education -											
Passed-through State Department of Education:											
Special Revenue Fund:											
Elementary and Secondary Education Act:											
Title I											
Title I	84.010A	ESEA-3310-18	7/1/2017	6/30/2018	\$ 37,120	\$	\$ 22,449	\$ (34,438)	\$ (11,989)		
Title I	84.010A	ESEA-3310-17	7/1/2016	6/30/2017	38,993	\$ (16,630)	16,630				
Title IIA	84.367A	ESEA-3310-18	7/1/2017	6/30/2018	9,698		1,700	(4,100)	(2,400)		
Title III	84.365A	ESEA-3310-17	7/1/2016	6/30/2017	480	(480)	480				
Title IV	84.186A	ESEA-3310-18	7/1/2017	6/30/2018	10,000	(17,110)	2,516	(6,379)	(3,863)		
						(43,775)	(44,917)	(18,252)			
Special Education Cluster:											
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3410-17	7/1/2016	6/30/2017	100,673	(100,673)	100,673				
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3410-18	7/1/2017	6/30/2018	103,513	(3,981)	103,513	(103,513)			
I.D.E.A. Part B, Preschool	84.173	IDEA-3410-17	7/1/2016	6/30/2017	3,981		3,981				
I.D.E.A. Part B, Preschool	84.173	IDEA-3410-18	7/1/2017	6/30/2018	4,012		4,012	(4,012)			
Total Special Education Cluster						(104,654)	212,179	(107,525)			
Total U.S. Department of Education						(121,764)	255,954	(152,442)	(18,252)		
Total Special Revenue Fund						(121,764)	255,954	(152,442)	(18,252)		
U.S. Department of Agriculture -											
Passed-through State Department of Agriculture:											
Enterprise Fund											
Child Nutrition Cluster:											
Food Distribution Program	10.555	N/A	7/1/2017	6/30/2018	12,782		12,782	(12,205)	\$ 577		
Food Distribution Program	10.555	N/A	7/1/2016	6/30/2017	11,206	975		(975)			
School Breakfast Program	10.553	N/A	7/1/2016	6/30/2017	6,088	(657)	657				
School Breakfast Program	10.553	N/A	7/1/2017	6/30/2018	7,907		7,154	(7,907)	(753)		
National School Lunch Program	10.555	N/A	7/1/2016	6/30/2017	38,143	(3,228)	3,228				
National School Lunch Program	10.555	N/A	7/1/2017	6/30/2018	37,196		34,103	(37,196)	(3,093)		
Total U.S. Department of Agriculture/Child Nutrition Cluster						(2,910)	57,924	(58,283)	(3,846)	577	
Total Enterprise Fund						(2,910)	57,924	(58,283)	(3,846)	577	
TOTAL FEDERAL AWARDS						\$ (124,674)	\$ 313,878	\$ (210,725)	\$ (22,098)	\$ 577	\$ -0-

N/A - Not Available/Applicable

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period From	Grant Period To	Program or Award Amount	Balance at June 30, 2017			Balance at June 30, 2018			MEMO		
					Budgetary Unearned Revenue/ (Accounts Receivable)	Cash Received	Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Receivable	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education:													
General Fund:													
Categorical Special Education Aid	18-495-034-5120-089	7/1/2017	6/30/2018	\$ 352,442	\$	\$ 317,216	\$ (352,442)	\$	\$	\$ (35,226)	\$	352,442	
Categorical Security Aid	18-495-034-5120-084	7/1/2017	6/30/2018	50,873		45,788	(50,873)			(5,085)		50,873	
Adjustment Aid	18-495-034-5120-085	7/1/2017	6/30/2018	84		76	(84)			(8)		84	
Categorical Transportation Aid	18-495-034-5120-014	7/1/2017	6/30/2018	140,194		126,182	(140,194)			(14,012)		140,194	
PARCC Readiness Aid	18-495-034-5120-098	7/1/2017	6/30/2018	4,625		4,163	(4,625)			(462)		4,625	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/2017	6/30/2018	4,625		4,163	(4,625)			(462)		4,625	
Professional Learning Community Aid	18-495-034-5120-101	7/1/2017	6/30/2018	4,780		4,302	(4,780)			(478)		4,780	
Extraordinary Special Education Costs Aid	18-495-034-5120-044	7/1/2017	6/30/2018	212,624			(212,624)		\$ (212,624)			212,624	
Nonpublic School Transportation Costs	18-495-034-5120-014	7/1/2017	6/30/2018	4,375			(4,375)			(4,375)		4,375	
Reimbursed TPAF Social Security Contributions	18-495-034-5095-003	7/1/2017	6/30/2018	230,003		218,465	(230,003)			(11,538)		230,003	
On-Behalf TPAF Post Retirement Medical Contributions	18-495-034-5094-001	7/1/2017	6/30/2018	288,009		288,009	(288,009)					288,009	
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/2017	6/30/2018	435,353		435,353	(435,353)					435,353	
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/2017	6/30/2018	10,565		10,565	(10,565)					10,565	
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/2017	6/30/2018	801		801	(801)					801	
Categorical Special Education Aid	17-495-034-5120-089	7/1/2016	6/30/2017	341,301	\$	\$ (34,112)						341,301	
Categorical Security Aid	17-495-034-5120-084	7/1/2016	6/30/2017	50,873		50,873	(50,873)					50,873	
Adjustment Aid	17-495-034-5120-085	7/1/2016	6/30/2017	84		8	(8)					84	
Categorical Transportation Aid	17-495-034-5120-014	7/1/2016	6/30/2017	140,194		14,012	(14,012)					140,194	
PARCC Readiness Aid	17-495-034-5120-098	7/1/2016	6/30/2017	4,625		462	(462)					4,625	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/2016	6/30/2017	4,625		462	(462)					4,625	
Professional Learning Community Aid	17-495-034-5120-101	7/1/2016	6/30/2017	4,780		478	(478)					4,780	
Extraordinary Special Education Costs Aid	17-495-034-5120-044	7/1/2016	6/30/2017	250,279		250,279	(250,279)					250,279	
Nonpublic School Transportation Costs	17-495-034-5120-014	7/1/2016	6/30/2017	3,503		3,503	(3,503)					3,503	
Reimbursed TPAF Social Security Contributions	17-495-034-5095-003	7/1/2016	6/30/2017	219,207		10,383	(10,383)					219,207	
Total General Fund State Aid						1,773,866	(1,739,353)		(228,537)	(284,270)		2,758,824	
Total State Department of Education						1,773,866	(1,739,353)		(228,537)	(284,270)		2,758,824	
State Department of Agriculture:													
Enterprise Fund:													
State School Lunch Program	18-100-010-3350-023	7/1/2017	6/30/2018	1,701		1,552	(1,701)		(149)	(149)		1,701	
State School Lunch Program	17-100-010-3350-023	7/1/2016	6/30/2017	1,442		127	(127)					1,442	
Total State Department of Agriculture						1,679	(1,701)		(149)	(149)		3,143	
Total Enterprise Fund						1,679	(1,701)		(149)	(149)		3,143	
Total State Awards Subject to Single Audit Determination						\$ 1,775,545	\$ (1,741,054)		\$ (228,686)	\$ -0-		\$ 2,761,967	
Less: State Awards Not Subject to Single Audit Major Program Determination													
On-Behalf TPAF Pension System Contributions:													
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/2017	6/30/2018	288,009							\$ 288,009		
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/2017	6/30/2018	435,353							435,353		
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/2017	6/30/2018	10,565							10,565		
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/2017	6/30/2018	801							801		
Subtotal - On-Behalf TPAF Pension System Contributions											734,728		
Total State Awards Subject to Single Audit Major Program Determination											\$ (1,006,326)		

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Mount Arlington School District under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,115) for the general fund and (\$41) for the special revenue fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,738,238	\$ 1,738,238
Special Revenue Fund	\$ 152,401		152,401
Food Service Enterprise Fund	<u>58,283</u>	<u>1,701</u>	<u>59,984</u>
Total Financial Assistance	<u>\$ 210,684</u>	<u>\$ 1,739,939</u>	<u>\$ 1,950,623</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

The Borough of Mount Arlington School District had no loan balances outstanding at June 30, 2018.

NOTE 7. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2018. Revenue and expenditures reported under the Federal Food Distribution Program represent current year value received and current year distributions, respectively.

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results:

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

<u>State:</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Categorical Special Education Aid	495-034-5120-089	7/1/17 - 6/30/18	\$ 352,442	\$ 352,442
Categorical Security Aid	495-034-5120-084	7/1/17 - 6/30/18	50,873	50,873
Adjustment Aid	495-034-5120-085	7/1/17 - 6/30/18	84	84
PARCC Readiness Aid	495-034-5120-098	7/1/17 - 6/30/18	4,625	4,625
Per Pupil Growth Aid	495-034-5120-097	7/1/17 - 6/30/18	4,625	4,625
Professional Learning Community Aid	495-034-5120-101	7/1/17 - 6/30/18	4,780	4,780

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

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

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

Findings and Questioned Costs for Federal Awards:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Findings and Questioned Costs for State Awards:

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

BOROUGH OF MOUNT ARLINGTON SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

The District had no prior year audit findings.