OFFICIAL STATEMENT DATED JULY 17, 2019

New Issue **Rating: S&P: "AA+"**
See "RATING" herein

In the opinion of McCarter & English, LLP, Bond Counsel to the Board (as defined herein), assuming continuing compliance by the Board with certain tax covenants described herein, under existing law, interest on the Bonds (as defined herein) is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing alternative minimum tax. Based upon existing law, interest on the Bonds and any gain on the sale thereof are not included in gross income under the New Jersey Gross Income Tax Act. See "TAX MATTERS" herein.

THE BOARD OF EDUCATION OF THE BOROUGH OF MOUNTAIN LAKES IN THE COUNTY OF MORRIS, NEW JERSEY $17,216,000 SCHOOL DISTRICT BONDS, SERIES 2019 (Book-Entry-Only) (Callable)

Dated: Date of Delivery **Due:** August 1, as shown on the inside front cover

The $17,216,000 School District Bonds, Series 2019 (the "Bonds") of The Board of Education of the Borough of Mountain Lakes in the County of Morris, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) are valid and legally binding general obligations of the Board and, unless paid from other sources, are payable from *ad valorem* taxes levied upon all the taxable property within the School District for the payment of the Bonds and the interest thereon without limitation as to rate or amount. Payment of the principal of and interest on the Bonds is also secured under the provisions of the New Jersey School Bond Reserve Act, P.L. 1980, c. 72, as amended by P.L. 2003, c. 118.

The Bonds will be issued in fully registered form, in the form of one certificate for the aggregate principal amount of the Bonds maturing in each year, and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form (without certificates) in the denomination of $5,000 each or any integral multiple of $1,000 in excess thereof. As long as Cede & Co. is the registered owner, as nominee of DTC, references in this Official Statement to the registered owners (other than under the caption "TAX MATTERS") shall mean Cede & Co. and not the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Interest on the Bonds will be payable semiannually on February 1 and August 1 in each year until maturity, or earlier redemption, commencing on August 1, 2020. Principal of and interest on the Bonds will be paid to DTC by the Board or its designated paying agent. Interest on the Bonds will be credited to the participants of DTC as listed on the records of DTC as of each next preceding January 15 and July 15 (the "Record Dates" for the payment of interest on the Bonds). The Bonds shall be subject to redemption prior to their stated maturities. See "DESCRIPTION OF THE BONDS - Redemption" herein.

Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision. This cover page contains information for quick reference only. It is <u>not</u> a summary of this issue.

The Bonds are offered when, as and if issued and delivered to the Underwriter (as defined herein), subject to prior sale, to withdrawal or modification of the offer without notice and to the approval of legality by the law firm of McCarter & English, LLP, Newark, New Jersey and certain other conditions described herein. Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor in connection with the issuance of the Bonds. Certain legal matters will be passed upon for the Board by the Board Attorney, Stephen R. Fogarty, Esquire, Fogarty & Hara, Esqs., Fair Lawn, New Jersey. Delivery is anticipated to be via DTC in Jersey City, New Jersey on or about August 1, 2019.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

THE BOARD OF EDUCATION OF THE BOROUGH OF MOUNTAIN LAKES
IN THE COUNTY OF MORRIS, NEW JERSEY
$17,216,000 SCHOOL DISTRICT BONDS, SERIES 2019
(Book-Entry-Only) (Callable)

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND CUSIPS**

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP**
2021	$401,000	1.500%	1.180%	624216HA8
2022	400,000	1.750	1.190	624216HB6
2023	800,000	2.000	1.200	624216HC4
2024	750,000	2.000	1.300	624216HD2
2025	700,000	2.000	1.450	624216HE0
2026	650,000	2.000	1.600	624216HF7
2027	625,000	2.000	1.750*	624216HG5
2028	600,000	2.000	1.900*	624216HH3
2029	700,000	2.000	2.000	624216HJ9
2030	725,000	2.125	2.150	624216HK6
2031	740,000	2.250	2.300	624216HL4
2032	750,000	2.375	2.450	624216HM2
2033	760,000	2.500	2.600	624216HN0
2034	775,000	2.750	2.750	624216HP5
2035	790,000	3.000	2.500*	624216HQ3
2036	800,000	3.000	2.540*	624216HR1
2037	800,000	3.000	2.580*	624216HS9
2038	800,000	3.000	2.620*	624216HT7
2039	775,000	3.000	2.660*	624216HU4
2040	775,000	3.000	2.700*	624216HV2
2041	775,000	3.000	2.750*	624216HW0
2042	775,000	3.000	2.800*	624216HX8
2043	775,000	3.000	2.850*	624216HY6
2044	775,000	3.000	2.900*	624216HZ3

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* Priced at the stated yield to the first optional redemption date of August 1, 2026 at a redemption price of 100%.

** Registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Board does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

THE BOARD OF EDUCATION OF THE BOROUGH OF MOUNTAIN LAKES
IN THE COUNTY OF MORRIS, NEW JERSEY

MEMBERS OF THE BOARD

Rich Mancuso, President
Joe Chang, Vice President
Joanne Calabria Barkauskas
Corbin Campbell
Lydia Cipriani-Spoto
Jack Gentul
James Hirschfeld
Jennifer Scarpati
Dawn Smith
Patricia Collins, Boonton Town Representative

INTERIM SUPERINTENDENT

Dr. Beth Azar, Ed.D.

INTERIM BUSINESS ADMINISTRATOR/BOARD SECRETARY

H. Ronald Smith

AUDITOR

T.M. Vrabel & Associates, LLC
Montville, New Jersey

BOARD ATTORNEY

Stephen R. Fogarty, Esquire
Fogarty & Hara, Esqs.
Fair Lawn, New Jersey

MUNICIPAL ADVISOR

Phoenix Advisors, LLC
Bordentown, New Jersey

BOND COUNSEL

McCarter & English, LLP
Newark, New Jersey

No broker, dealer, salesperson or other person has been authorized by the Board to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the foregoing. The information contained herein has been provided by the Board and other sources deemed reliable; however, no representation is made as to the accuracy or completeness of information from sources other than the Board. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and the expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder under any circumstances shall create any implication that there has been no change in any of the information herein since the date hereof or since the date as of which such information is given, if earlier.

References in this Official Statement to laws, rules, regulations, resolutions, agreements, reports and documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein, and copies of which may be inspected at the offices of the Board during normal business hours.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful for any person to make such an offer, solicitation or sale.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety.

In order to facilitate the distribution of the Bonds, the Underwriter may engage in transactions intended to stabilize the price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The presentation of information in this Official Statement is intended to show recent historic information and, except as expressly stated otherwise, it is not intended to indicate future or continuing trends in the financial condition or other affairs of the Board. No representation is made that past experience, as is shown by the financial and other information, will necessarily continue or be repeated in the future.

This Official Statement is not to be construed as a contract or an agreement between the Board and the purchasers or holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information, estimates and expressions of opinion herein are subject to change without notice. The delivery of this Official Statement or any sale of the Bonds made hereunder shall not, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE BOARD AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY.

FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

McCarter & English, LLP has not verified the accuracy, completeness or fairness of the information contained herein, except under the heading “TAX MATTERS” and, accordingly, assumes no responsibility therefore and will express no opinion with respect thereto.

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OFFICIAL STATEMENT
OF
THE BOARD OF EDUCATION OF THE BOROUGH OF MOUNTAIN LAKES
IN THE COUNTY OF MORRIS, NEW JERSEY

$17,216,000
SCHOOL DISTRICT BONDS, SERIES 2019
(BOOK-ENTRY-ONLY) (CALLABLE)

INTRODUCTION

This Official Statement, which includes the front cover page, inside front cover page and the appendices attached hereto, has been prepared by The Board of Education of the Borough of Mountain Lakes in the County of Morris, New Jersey (the "Board" when referring to the governing body and legal entity and the "School District" when referring to the territorial boundaries governed by the Board) in connection with the sale and issuance of its $17,216,000 School District Bonds, Series 2019 (the "Bonds"). This Official Statement has been executed by and on behalf of the Board by the Interim Business Administrator/Board Secretary, and its distribution and use in connection with the sale of the Bonds have been authorized by the Board.

This Official Statement contains specific information relating to the Bonds including their general description, certain matters affecting the financing, certain legal matters, historical financial information and other information pertinent to this issue. This Official Statement should be read in its entirety.

All financial and other information presented herein has been provided by the Board from its records, except for information expressly attributed to other sources. The presentation of information is intended to show recent historic information and, but only to the extent specifically provided herein, certain projections into the immediate future and is not necessarily indicative of future or continuing trends in the financial position of the Board.

DESCRIPTION OF THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Bonds themselves for the complete text thereof, and the discussion herein is qualified in its entirety by such reference.

Terms and Interest Payment Dates

The Bonds shall be dated the date of delivery and shall mature on August 1 in each of the years and in the amounts set forth on the inside front cover page hereof. The Bonds shall bear interest from the date of delivery, which interest shall be payable semi-annually on the first day of February and August, commencing on August 1, 2020 (each an "Interest Payment Date"), in each of the years and at the interest rates set forth on the inside front cover page hereof until maturity, or earlier redemption, by the Board or a duly appointed paying agent to the registered owners of the Bonds as of each January 15 and July 15 immediately preceding the respective Interest Payment Dates (the "Record Dates"). Interest on the Bonds shall be calculated on the basis of a 360-day year of twelve 30-day calendar months. So long as The Depository Trust Company ("DTC") or its nominee Cede & Co. (or any successor or assign) is the registered owner of the Bonds, payments of the principal of and interest on the Bonds will be made by the Board or a designated paying agent directly to DTC or its nominee, Cede & Co., which will in turn remit such payments to DTC Participants, which will in turn remit such payments to the beneficial owners of the Bonds. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds will be issued in fully registered book-entry-only form, without certificates. One certificate shall be issued for the aggregate principal amount of Bonds maturing in each year, and when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds. The certificates will be on deposit with DTC. DTC will be responsible for maintaining a book-entry system for recording the interests of its participants and transfers of the interests among its participants. The participants will be responsible for maintaining records regarding the beneficial ownership interests in the Bonds on behalf of the individual purchasers. Individual purchases may be made in the principal amount of $5,000 each or any integral multiple of $1,000 in excess thereof, through book entries made on the books and the records of DTC and its participants. Individual purchasers of the Bonds will not receive certificates representing their beneficial ownership interests in the Bonds, but each book-entry owner will receive a credit balance on the books of its nominee, and this credit balance will be confirmed by an initial transaction statement stating the details of the Bonds purchased. *See* "BOOK-ENTRY-ONLY SYSTEM" herein.

Redemption

The Bonds maturing prior to August 1, 2027 are not subject to redemption prior to maturity. The Bonds maturing on or after August 1, 2027 are subject to redemption prior to maturity, at the option of the Board, in whole or in part, on any date on or after August 1, 2026 at a price of 100% of the principal amount of the Bonds to be redeemed (the "Redemption Price"), plus unpaid accrued interest to the date fixed for redemption.

Notice of redemption shall be given by mailing by first class mail, with postage prepaid, to the registered owners of the Bonds not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption. Such mailing shall be to the Owners of such Bonds at their respective addresses as they last appear on the registration books kept for that purpose by the Board or a duly appointed bond registrar. So long as DTC (or any successor thereto) acts as securities depository for the Bonds, such notice of redemption shall be sent directly to such depository and not to the beneficial owners of the Bonds. Any failure of the depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings. If the Board determines to redeem a portion of the Bonds prior to maturity, the Bonds to be redeemed shall be selected in inverse order of their maturity and within a maturity by lot; the Bonds to be redeemed having the same maturity shall be selected by the securities depository in accordance with its regulations.

If notice of redemption has been given as provided herein, the Bonds or the portion thereof called for redemption shall be due and payable on the date fixed for redemption at the Redemption Price, together with accrued interest to the date fixed for redemption. Interest shall cease to accrue on and after such redemption date.

Security for the Bonds

The Bonds are valid and legally binding general obligations of the Board, and the Board has irrevocably pledged its full faith and credit for the payment of the principal of and interest on the Bonds. Unless paid from other sources, the principal of and interest on the Bonds are payable from *ad valorem* taxes levied upon all the taxable property within the School District without limitation as to rate or amount except to the extent that enforcement of such payment may be limited by bankruptcy, insolvency or other similar laws on equitable principles effecting the enforcement of creditors' rights generally.

New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17 et seq.)

All school bonds issued in the State of New Jersey (the "State") are secured by the School Bond Reserve (the "School Bond Reserve") established in the Fund for the Support of Free Public Schools of the

State of New Jersey (the "Fund") in accordance with the New Jersey School Bond Reserve Act, N.J.S.A. 18A:56-17 et seq. (P.L. 1980, c. 72, approved July 16, 1980, as amended by P.L. 2003, c. 118, approved July 1, 2003) (the "Act"). The 2003 amendments to the Act provided that the Fund will be divided into two (2) School Bond Reserve accounts. All bonds issued prior to July 1, 2003 shall be benefited by a School Bond Reserve account funded in an amount equal to 1-1/2% of the aggregate issued and outstanding bonded indebtedness of New Jersey counties, municipalities or school districts for school purposes issued prior to July 1, 2003 (the "Old School Bond Reserve Account") and all bonds, including the Bonds, issued on or after July 1, 2003 shall be benefited by a School Bond Reserve account equal to 1% of the aggregate amount of issued and outstanding bonded indebtedness of New Jersey counties, municipalities or school districts for school purposes issued on or after July 1, 2003 (the "New School Bond Reserve Account"), provided in each case, that such amounts do not exceed the moneys available in the applicable account of the Fund. If a municipality, county or school district is unable to make payment of principal of or interest on any of its bonds issued for school purposes, the trustees of the Fund will purchase such bonds at par value and will pay to the bondholders the interest due or to become due thereon within the limits of funds available in the applicable School Bond Reserve account in accordance with the provisions of the Act.

The Act provides that the School Bond Reserve shall be composed entirely of direct obligations of the United States government or obligations guaranteed by the full faith and credit of the United States government. Securities representing at least one-third of the minimal market value to be held in the School Bond Reserve shall be due to mature within one year of issuance or purchase. Beginning with the fiscal year ending on June 30, 2003 and continuing on each June 30 thereafter, the State Treasurer shall calculate the amount necessary to fully fund the Old School Bond Reserve Account and the New School Bond Reserve Account as required pursuant to the Act. To the extent moneys are insufficient to maintain each account in the School Bond Reserve at the required levels, the State agrees that the State Treasurer shall, no later than September 15 of the fiscal year following the June 30 calculation date, pay to the trustees for deposit in the School Bond Reserve such amounts as may be necessary to maintain the Old School Bond Reserve Account and the New School Bond Reserve Account at the levels required by the Act. No moneys may be borrowed from the Fund to provide liquidity to the State unless the Old School Bond Reserve Account and the New School Bond Reserve Account each are at the levels certified as full funding on the most recent June 30 calculation date. The amount of the School Bond Reserve in each account is pledged as security for the prompt payment to holders of bonds benefited by such account of the principal of and the interest on such bonds in the event of the inability of the issuer to make such payments. In the event the amounts in either the Old School Bond Reserve Account or the New School Bond Reserve Account fall below the amount required to make payments on bonds, the amounts in both accounts are available to make payments for bonds secured by the School Bond Reserve.

The Act requires any issuer which anticipates that it will be unable to meet payment of principal of or interest on any of its bonds issued for school purposes to certify its inability to the Commissioner of Education of the State (the "Commissioner of Education") at least ten days prior to the date such payment is due. The Commissioner of Education shall then certify the same to the trustees for the Fund. On receipt of the certification or other notice, the trustees for the Fund shall, within the limits of the Fund, purchase such bonds at a price equal to the face amount thereof or pay to the holder of any such bond the interest due thereon.

The Act further provides that the amount of any payment of interest or purchase price of school bonds paid pursuant to the Act shall be deducted from the appropriation or apportionment of State aid, other than certain State aid which may be otherwise restricted pursuant to law, payable to the school district, county or municipality and shall not obligate the State to make, nor entitle the school district, county or municipality to receive any additional appropriation or apportionment. Any amount so deducted shall be applied by the State Treasurer to satisfy the obligation of the school district, county or municipality arising as a result of the payment of interest or purchase price of bonds pursuant to the Act.

AUTHORIZATION AND PURPOSE

The School District is issuing the Bonds pursuant to: (i) Chapter 24 of Title 18A of the New Jersey Statutes, as amended and supplemented; (ii) a resolution duly adopted by the Board on May 20, 2019 (the "Resolution"); and (iii) a proposal adopted by the Board on August 14, 2017 and approved by a majority of the legal voters present and voting at the School District election held on September 26, 2017.

The Bonds are being issued to provide funds to undertake renovations, alterations and improvements at Wildwood Elementary School, Briarcliff Middle School and Mountain Lakes High School, including all fixtures, furnishings, equipment, site work and related work (collectively, the "Project"). The Board is authorized to expend an amount not to exceed $17,216,215 for the Project, of which $8,252,948 represents eligible costs (the "Final Eligible Costs"), as determined by the Commissioner of Education, for which the State has agreed to pay approximately 40.0% of the debt service on the portion of the Bonds (including both principal and interest) issued to finance the Final Eligible Costs of the Project. The remaining payments of the Bonds issued to finance the portion of the Project not eligible for State support will not receive debt service aid.

BOOK-ENTRY-ONLY SYSTEM[1]

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and interest, and other payments on the Bonds to DTC Participants or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other related transactions by and among DTC, DTC Participants and Beneficial Owners, is based on certain information furnished by DTC to the Board. Accordingly, the Board does not make any representations concerning these matters.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P Global Ratings, acting through Standard & Poor's

[1] Source: The Depository Trust Company

Financial Services LLC, rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Board or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the Board believes to be reliable, but the Board takes no responsibility for the accuracy thereof.

THE BOARD WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS") SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry-Only System

In the event that the book-entry-only system is discontinued and the Beneficial Owners become registered owners of the Bonds, the following provisions apply: (i) the Bonds may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the office of the Board/paying agent; (ii) the transfer of any Bonds may be registered on the books maintained by the paying agent for such purposes only upon the surrender thereof to the Board/paying agent together with the duly executed assignment in form satisfactory to the Board/paying agent; and (iii) for every exchange or registration of transfer of Bonds, the Board/paying agent may make a charge sufficient to reimburse for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer of the Bonds. Interest on the Bonds will be payable by check or draft, mailed on each Interest Payment Date to the registered owners thereof as of the close of business on the Record Date, whether or not a business day, next preceding an Interest Payment Date.

THE SCHOOL DISTRICT AND THE BOARD

The School District is a Type II school district and provides a full range of educational services appropriate to kindergarten (K) through grade twelve (12), including regular and special education programs. The School District is coterminous with the boundaries of the Borough of Mountain Lakes (the "Borough"), in Morris County (the "County").

The Board is a ten (10) member board, with nine (9) members from the Borough elected for staggered three (3) year terms and a Boonton Town Representative who serves a one (1) year term. The purpose of the School District is to educate students in grades kindergarten (K) through grade twelve (12). The School District receives students as part of a send/receive relationship from the Town of Boonton. The Superintendent of the School District is appointed by the Board and is responsible for the administrative control of the School District.

THE STATE'S ROLE IN PUBLIC EDUCATION

The Constitution of the State provides that the legislature of the State shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State between the ages of 5 and 18 years. Case law has expanded the responsibility to include children between the ages of 3 and 21.

The responsibilities of the State with respect to the general supervision and control of public education have been delegated to the New Jersey Department of Education (the "Department"), which is a part of the executive branch of the State government and was created by the State Legislature. The Department is governed and guided by the policies set forth by the New Jersey Board of Education (the "State Board"). The State Board is responsible for the general supervision and control of public education, except higher education, and is obligated to formulate plans and to make recommendations for the unified, continuous and efficient development of public education. To fulfill these responsibilities, the State Board has the power, *inter alia*, to adopt rules and regulations that have the effect of law and that are binding upon school districts.

The Commissioner of Education is the chief executive and administrative officer of the Department. The Commissioner of Education is appointed by the Governor of the State, with the advice and consent of the State Senate, and serves at the pleasure of the Governor during the Governor's term of office. The Commissioner of Education is Secretary and Chief Executive Officer of the State Board and is responsible for the supervision of all school districts in the State and is obligated to enforce the rules and regulations of the State Board. The Commissioner of Education has the authority to recommend the withholding of State financial aid and the Commissioner of Education's consent is required for authorization to sell school bonds that exceed the debt limit of the municipality in which the school district is located and may also set the amount to be raised by taxation for a board of education if a school budget has not been adopted.

An Executive County Superintendent of Schools (the "County Superintendent") is appointed for each county in the State by the Governor, upon the recommendation of the Commissioner of Education and with the advice and consent of the State Senate. The County Superintendent reports to the Commissioner of Education or a person designated by the Commissioner of Education. The County Superintendent is responsible for the supervision of the school districts in the county and is charged with the enforcement of rules pertaining to the certification of teachers, pupil registers and financial reports and the review of budgets. Under the Uniform Shared Services and Consolidation Act, P.L. 2007, c. 63 approved April 3, 2007, the role of the County Superintendent was changed to create the post of the Executive County Superintendent with expanded powers for the operation and management of school districts to, among other things, promote administrative and operational efficiencies, eliminate non-operating school districts and recommend a school district consolidation plan to eliminate school districts through the establishment or enlargement of regional school districts, subject to voter approval.

STRUCTURE OF SCHOOL DISTRICTS IN NEW JERSEY

Categories of School Districts

State school districts are characterized by the manner in which the board of education or the governing body takes office. School districts are principally categorized in the following categories:

(1) Type I, in which the mayor or chief executive officer ("CEO") of a municipality appoints the members of a board of education and a board of school estimate, which board of school estimate consists of two (2) members of the board of education, two (2) members of the governing body of the municipality and the mayor or CEO of the municipality comprising the school district, approves fiscal matters;

(2) Type II, in which the registered voters in a school district elect the members of a board of education and either (a) the registered voters may also vote upon fiscal matters, or (b) a board of school estimate, consisting of two (2) members of the governing body of each municipality and the CEO of each municipality within the school district and the president of and one member of the board of education, approves all fiscal matters;

(3) Regional and consolidated school districts comprising the territorial boundaries of more than one municipality in which the registered voters in the school district elect members of the board of education and may vote upon fiscal matters. Regional school districts may be "All Purpose Regional School Districts" or "Limited Purpose Regional School Districts";

(4) State operated school districts created by the State Board, pursuant to State law, when a local board of education cannot or will not correct severe educational deficiencies;

(5) County vocational school districts have boards of education consisting of the County Superintendent and four (4) members unless it is a county of the first class, which adopted an ordinance, in which case it can have a board consisting of seven (7) appointed members which the board of chosen freeholders of the county appoints. Such vocational school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the county executive or the director of the board of chosen freeholders of the county, which approves fiscal matters; and

(6) County special services school districts have boards of education consisting of the County Superintendent and six (6) persons appointed by the board of chosen freeholders of the county. Such special services school districts shall also have a board of school estimate, consisting of two (2) members appointed by the board of education of the school district, two (2) members appointed by the board of chosen freeholders and a fifth member being the freeholder-director of the board of chosen freeholders, which approves all fiscal matters.

There is a procedure whereby a Type I school district or a Type II school district may change from one type to the other after an approving public referendum. Such a public referendum must be held whenever directed by the municipal governing body or board of education in a Type I school district, or the board of education in a Type II school district, or when petitioned for by fifteen percent (15%) of the voters of any school district. The School District is a Type II school district without a board of school estimate.

School Budgetary Process (N.J.S.A. 18A:22-1 et seq.)

In a Type I school district, a separate body from the school district, known as the board of school estimate, examines the budget requests and fixes the appropriation amounts for the next year's operating budget at or after a public hearing. This board, whose composition is fixed by statute, certifies the budget to the municipal governing body or board of education. If the board of education disagrees with the certified budget of the board of school estimate, then it can appeal to the Commissioner of Education to request changes.

In a Type II school district, the elected board of education develops the budget proposal and, at or after a public hearing, submits it for voter approval unless the board has moved its annual election to November as discussed below. Debt service provisions are not subject to public referendum. If approved, the budget goes into effect. If defeated, the governing body of the constituent municipality must develop the school budget by May 19 of each year. Should the governing body be unable to do so, the Commissioner of Education establishes the local school budget.

The Budget Election Law (P.L. 2011, c.202, effective January 17, 2012) established procedures that allow the date of the annual school election of a Type II school district, without a board of school estimate, to be moved from April to November, to be held simultaneously with the general election. Such change in the annual school election date must be authorized by resolution of either the board of education or the governing body of the municipality, or by an affirmative vote of a majority of the voters whenever a petition, signed by at least 15% of the legally qualified voters, is filed with the board of education. Once the annual school election is moved to November, such election may not be changed back to an April annual school election for four (4) years.

School districts that opt to move the annual school election to November are no longer required to submit the budget to the voters for approval if the budget is at or below the 2% property tax levy cap as provided for by the 2% Tax Levy Cap Law. For school districts that opt to change the annual school election date to November, proposals to spend above the 2% property tax levy cap would be presented to voters at the annual school election in November.

The Board conducts its annual elections in November.

Spending Growth Limitation

CEIFA (as hereinafter defined) places limits on the amount school districts can increase their annual current expenses and capital outlay budgets, and such limits are known as a school district's spending growth limitation amount (the "Spending Growth Limitation"). *See* "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT" herein.

SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT

Levy and Collection of Taxes

School districts in the State do not levy or collect taxes to pay those budgeted amounts that are not provided by the State. The municipality within which a school district is situated levies or collects the required taxes and must remit them in full to the school district.

Budgets and Appropriations

School districts in the State must operate on an annual cash basis budget. Each school district must adopt an annual budget in such detail and upon forms as prescribed by the Commissioner of Education, to which must be attached an itemized statement showing revenues, including State and federal aid, and expenditures. The Commissioner of Education must approve a budget prior to its final adoption and has the power to increase or decrease individual line items in a budget. Any amendments to a school district's budget must be approved by the board of education or the board of school estimate, as the case may be. Every budget submitted must provide no less than the minimum permissible amount deemed necessary under State law to provide for a thorough and efficient education as mandated by the State constitution. The Commissioner of Education may not approve any budget unless the Commissioner of Education is satisfied that the school district has adequately implemented within the budget the Core Curriculum Content Standards required by State law. If necessary, the Commissioner of Education is authorized to order changes in the local school district's budget. The Commissioner of Education will also ensure that other provisions of law are met including the limitations on taxes and spending explained below.

Tax and Spending Limitations

The Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq., P.L. 1975, c. 212 (as amended and partially repealed) first limited the amount of funds that could be raised by a local school district. It limited the annual increase of any school district's net current expense budget. The budgetary limitation was known as a "CAP" on expenditures. The "CAP" was intended to control the growth in local property taxes. Subsequently there have been numerous legislative changes as to how the spending limitations would be applied.

The Quality Education Act of 1990, N.J.S.A. 18A:7D-1 et seq., P.L. 1990, c. 52 ("QEA") (now repealed) also limited the annual increase in the school district's current expense and capital outlay budgets by a statutory formula linked to the annual percentage increase in per capita income. The QEA was amended and revised by Chapter 62 of the Laws of New Jersey of 1991, and further amended by Chapter 7 of the Laws of New Jersey of 1993.

The Comprehensive Educational Improvement and Financing Act of 1996, N.J.S.A. 18A:7F-1 et seq., P.L. 1996, c. 138 ("CEIFA") (as amended by P.L. 2004, c.73, effective July 1, 2004), which followed QEA, also limited the annual increase in a school district's net budget by a spending growth limitation. CEIFA limited the amount school districts could increase their annual current expenses and capital outlay budgets, defined as a school district's "Spending Growth Limitation". Generally, budgets could increase by either a set percent or the consumer price index, whichever was greater. Amendments to CEIFA lowered the budget cap to 2.5% from 3%. Budgets could also increase because of certain adjustments for enrollment increases, certain capital outlay expenditures, pupil transportation costs, and special education costs that exceeded $40,000 per pupil. Waivers were available from the Commissioner of Education based on increasing enrollments and other fairly narrow grounds and increases higher than the cap could be approved by a vote of 60% at the annual school election.

P.L. 2007, c. 62, effective April 3, 2007, provided additional limitations on school district spending by limiting the amount a school district could raise for school district purposes through the property tax levy by 4% over the prior budget year's tax levy. P.L. 2007, c. 62 provided for adjustments to the cap for increases in enrollment, reductions in State aid and increased health care costs and for certain other extraordinary cost increases that required approval by the Commissioner of Education. The bill granted discretion to the Commissioner of Education to grant other waivers from the cap for increases in special education costs, capital outlay, and tuition charges. The Commissioner of Education also had the ability to grant extraordinary waivers to the tax levy cap for certain other cost increases beginning in fiscal year 2009 through 2012.

P.L. 2007, c. 62 was deemed to supersede the prior limitations on the amount school districts could increase their annual current expenses and capital outlay budgets, created by CEIFA (as amended by P.L. 2004, c.73, effective July 1, 2004). However, Chapter 62 was in effect only through fiscal year 2012. Without an extension of Chapter 62 by the legislature, the Spending Growth Limitations on the general fund and capital outlay budget would be in effect.

Debt service was not limited either by the Spending Growth Limitations or the 4% cap on the tax levy increase imposed by Chapter 62.

The previous legislation was amended by P.L. 2010, c. 44, approved July 13, 2010 and became applicable to the next local budget year following enactment. This law limits the school district tax levy for the general fund budget to increases of 2% over the prior budget year with exceptions only for enrollment increases, increases for certain normal and accrued liability for pension contributions in excess of 2%, certain healthcare increases, and amounts approved by a simple majority of voters voting at a special election (the "Tax Levy Cap Law"). Additionally, also becoming effective in the 2011-2012 fiscal year, a school district that has not been granted approval to exceed the tax levy CAP by a separate proposal to bank the unused tax levy for use in any of the next three (3) succeeding budget years. A school district can request a use of "banked CAP" only after it has fully exhausted all eligible statute spending authority in the budget year. The process for obtaining waivers from the Commissioner of Education for additional increases over the tax levy cap or Spending Growth Limitations was eliminated under Chapter 44. Notwithstanding the foregoing, under P.L. 2018, c. 67, approved, July 24, 2018, which increases State school aid to underfunded school districts and decreases state school aid to over funded school districts, during the 2018-2019 through 2024-2025 fiscal years, SDA Districts, which are certain urban school districts formerly referred to as Abbott Districts referred to herein under "SUMMARY OF STATE AID TO SCHOOL DISTRICTS", are permitted increases in the tax levy over the 2% limit to raise a general fund tax levy to an amount that does not exceed its local share of the adequacy budget.

The restrictions are solely on the tax levy for the general fund and are not applicable to the debt service fund. There are no restrictions on a local school district's ability to raise funds for debt service, and nothing would limit the obligation of a school district to levy *ad valorem* taxes upon all taxable property within the school district to pay debt service on its bonds or notes with one exception. School districts are subject to GAAP accounting, and under GAAP interest on obligations maturing within one year must be treated as operating expenses. Accordingly, under the Department of Education's Chart of Accounts, interest on notes is raised in the General Fund of a school district and therefore is counted within its 2% tax levy cap on spending.

Issuance of Debt

Among the provisions for the issuance of school debt are the following requirements: (i) bonds must mature in serial installments within the statutory period of usefulness of the projects being financed but not exceeding forty (40) years; (ii) bonds shall be issued pursuant to an ordinance adopted by the governing body of the municipality comprised within the school district for a Type I school district; (iii) for Type II school districts (without boards of school estimate) bonds shall be issued by board of education resolution approving the bond proposal and by approval of the legally qualified voters of the school district; (iv) debt must be authorized by a resolution of a board of education (and approved by a board of school estimate in a Type I school district); and (v) there must be filed with the State by each municipality comprising a school district a supplemental debt statement and a school debt statement setting forth the amount of bonds and notes authorized but unissued and outstanding for such school district.

When a school district changes from a type I to a type II school district and obligations have been authorized and remain unissued by the municipality pursuant to ordinances adopted by the municipality to authorize and issue school debt, the new type II district assumes the obligation of any outstanding notes issued for such purposes and is authorized to issue notes or bonds without further voter approval to fund such purposes or pay off or permanently finance the notes pursuant to N.J.S.A. 18A:24-63. The Board does not assume the obligation of outstanding school bonds issued by the municipality, but the debt would count towards the school district borrowing margin.

Annual Audit (N.J.S.A. 18A:23-1 et seq.)

Every board of education is required to provide an annual audit of the school district's accounts and financial transactions. Beginning with the fiscal year ended June 30, 2010, a licensed public-school accountant must complete the annual audit no later than five (5) months after the end of the fiscal year. P.L. 2010, c. 49 amended N.J.S.A. 18A:23-1 to provide an additional month for the completion of a school district's audit. Previously the audit was required to be completed within four (4) months. The audit, in conformity with statutory requirements, must be filed with the board of education and the Commissioner of Education. Additionally, the audit must be summarized and discussed at a regular public meeting of the local board of education within thirty (30) days following receipt of the annual audit by such board of education.

Temporary Financing (N.J.S.A. 18A:24-3)

Temporary notes may be issued in anticipation of the issuance of permanent bonds for a capital improvement or capital project. Such temporary notes may not exceed in the aggregate the amount of bonds authorized for such improvement or project. A school district's temporary notes may be issued for one (1) year periods, with the final maturity not exceeding five (5) years from the date of original issuance; provided, however, that no such notes shall be renewed beyond the third and fourth anniversary date of the original notes unless an amount of such notes, at least equal to the first legally payable installment of the bonds in anticipation of which said notes are issued, is paid and retired subsequent to such third anniversary date from funds other than the proceeds of obligations.

Refunding Bonds

Notwithstanding limitations regarding the issuance of debt, including debt limits and voter referendums, school districts may authorize and issue refunding bonds for the purpose of paying any refunded bonds, together with the costs of issuing the refunding bonds.

Debt Limitation (N.J.S.A. 18A:24-19)

Except as provided below, no additional debt shall be authorized if the principal amount, when added to the net debt previously authorized, exceeds a statutory percentage of the average equalized valuation of taxable property in a school district. As a kindergarten (K) through grade twelve (12) school district, the Board can borrow up to 4% of the average equalized valuation of taxable property in the School District. The Board has not exceeded its 4% debt limit. *See* "APPENDIX A – Debt Limit of the Board."

Exceptions to Debt Limitation

A Type II school district (other than a regional school district) may also utilize its constituent municipality's remaining statutory borrowing power (i.e., the excess of 3.5% of the average equalized valuation of taxable property within the constituent municipality over the constituent municipality's net debt). The School District has not utilized the borrowing margin of the Borough. A school district may also authorize debt in excess of this limit with the consent of the Commissioner of Education and the Local Finance Board (as hereinafter defined).

Capital Lease Financing

School districts are permitted to enter into lease purchase agreements for the acquisition of equipment or for the improvement of school buildings. Generally, lease purchase financings must mature within five (5) years except for certain lease purchase financings of energy savings equipment and other energy conservation measures, which may mature within fifteen (15) years and in certain cases twenty (20) years from the date the project is placed in service, if paid from energy savings (see "Energy Savings Obligations" below). Facilities lease purchase agreements, which may only be financed for a term of five (5) years or less, must be approved by the Commissioner of Education. The Educational Facilities Construction and Financing Act, P.L. 2000, c. 72, effective July 18, 2000, as amended ("EFCFA") repealed the authorization to enter into facilities leases for a term in excess of five (5) years. The payment of rent is treated as a current expense and within the school district's Spending Growth Limitation and tax levy cap, and the payment of rent on an ordinary equipment lease and on a five (5) year and under facilities lease is subject to annual appropriation. Lease purchase payments on leases in excess of five (5) years entered into under prior law (CEIFA) are treated as debt service payments and, therefore, will receive debt service aid if the school district is entitled and are outside the school district's Spending Growth Limitation and tax levy cap.

Energy Saving Obligations

Under N.J.S.A. 18A:18A-4.6 (P.L. 2009, c. 4, effective March 23, 2009, as amended by P.L. 2012, c. 55, effective September 19, 2013), the Energy Savings Improvement Program Law or the "ESIP Law," school districts may issue energy savings obligations as refunding bonds without voter approval or lease purchase agreements to fund certain improvements that result in reduced energy use, facilities for production of renewable energy or water conservation improvements, provided that the value of the savings will cover the cost of the measures. The lease purchase financings for such measures must mature within 15 years, or in certain instances 20 years, from the date the projects are placed in service. These energy savings refunding bonds or leases are payable from the general fund. Such payments are within the school district's Spending Growth Limitation and tax levy cap but are not necessarily subject to annual appropriation.

Notes for Cash Flow Purposes

N.J.S.A. 18A:22-44.1 permits school districts to issue notes in an amount not exceeding ½ the amount appropriated for current general fund expenses. These notes are not considered debt and are used for cash flow purposes including funding in anticipation of the receipt of taxes, other revenues or grants.

Investment of School Funds

Investment of funds by New Jersey school districts is governed by State statute. Pursuant to N.J.S.A. 18A:20-37, school districts are limited to purchasing the following securities: (1) direct obligations of, or obligations guaranteed by, the United States of America ("Government Obligations"); (2) U.S. Government money market mutual funds; (3) obligations of Federal Government agencies or instrumentalities having a maturity of 397 days or less, provided such obligations bear a fixed rate of interest not dependent on any index or external factor; (4) bonds or other obligations of the particular school district or municipalities or counties within which the school district is located; (5) bonds or other obligations having a maturity of 397 days or fewer approved by the Division of Investment of the State Department of the Treasury; (6) local government investment pools, rated in the highest rating category, investing in U.S. government securities and repurchase agreements fully collateralized by securities set forth in (1) and (3) above; (7) deposits with the New Jersey Cash Management Fund (created pursuant to N.J.S.A. 52:18A-90.4; the "Cash Management Fund"); and (8) repurchase agreements with a maximum 30 day maturity fully collateralized by securities set forth in (1) and (3) above. School districts are required to deposit their funds in interest-bearing bank accounts in banks satisfying certain security requirements set forth in N.J.S.A. 17:9-41 et seq. or invest in permitted investments to the extent practicable, and may invest in bank certificates of deposit.

The Cash Management Fund is governed by regulations of the State Investment Council, a nonpartisan oversight body, and is not permitted to invest in derivatives. The Cash Management Fund is permitted to invest in Government Obligations, Federal Government Agency obligations, certain short-term investment-grade corporate obligations, commercial paper rated "prime", certificates of deposit, repurchase agreements involving Government Obligations and Federal Government Agency obligations and certain other types of instruments. The average maturity of these securities in the Cash Management Fund must be one year or less, and only a quarter of the securities are permitted to mature in as much as two (2) years.

The Board has no investments in derivatives.

SUMMARY OF STATE AID TO SCHOOL DISTRICTS

In 1973, the Supreme Court of the State (the "Court") first ruled in Robinson v. Cahill that the method then used to finance public education principally through property taxation was unconstitutional.

Pursuant to the Court's ruling, the State Legislature enacted the Public School Education Act of 1975, N.J.S.A. 18A:7A-1 et seq. (P.L. 1975, c. 212) (the "Public School Education Act") (since amended and partially repealed), which required funding of the State's school aid through the New Jersey Gross Income Tax Act, P.L. 1976, c. 47, since amended and supplemented, enacted for the purpose of providing property tax relief.

On June 5, 1990, the Court ruled in Abbott v. Burke that the school aid formula enacted under the Public School Education Act was unconstitutional as applied. The Court found that poorer urban school districts were significantly disadvantaged under that school funding formula because school revenues were derived primarily from property taxes. The Court found that wealthy school districts were able to spend more, yet tax less for educational purposes.

Since that time there has been much litigation and many cases affecting the State's responsibilities to fund public education and many legislative attempts to distribute State aid in accordance with the court cases and the constitutional requirement. The cases addressed not only current operating fund aid but also addressed the requirement to provide facilities aid as well. The legislation has included the QEA (now repealed), CEIFA and EFCFA, which became law on July 18, 2000. For many years, aid has simply been determined in the State Budget, which itself is an act of the legislature, based upon amounts provided in prior years. The school funding formula provided in the School Funding Reform Act of 2008, P.L. 2007, c. 260, approved January 1, 2008, removed the special status given to certain school districts known as Abbott Districts after the school funding cases and instead has funding follow students with certain needs and provides aid in a way that takes into account the ability of the local school district to raise local funds to support the budget in amounts deemed adequate to provide for a thorough and efficient education as required by the State constitution. This legislation was challenged in the Court, and the Court held that the State's then current plan for school aid was a "constitutionally adequate scheme." However, the State continued to underfund certain school districts and to overfund other school districts in its budgets based on the statutory scheme. In its budget process for FY 2019 and with the enactment of P.L. 2018, c. 67, approved July 24, 2018, the State is moving the school districts toward the intent of the statutory scheme by increasing funding for underfunded school districts and decreasing funding for overfunded school districts over the next six (6) years and providing cap relief for overfunded school districts to enable them to pick up more of the local share.

Pursuant to Public Law 2018, c.67, signed into law by the Governor of the State on July 24, 2018, the School Funding Reform Act has been modified to adjust the distribution of State aid to school districts in the State ("SFRA Modification Law"). In particular, the SFRA Modification Law revises the School Funding Reform Act so that, after calculating the amount of State aid available per pupil, State aid will be distributed to each school district based on student enrollment. The SFRA Modification Law also eliminates the application of the State aid growth limit and adjustment aid, but includes a transition period for school districts that will receive less State aid. Under the SFRA Modification Law, most school districts that will receive reduced State aid resulting from the revised funding formula will be provided a transition period from the 2019-2020 school year through the 2024-2025 school year during which funding will be reduced. For those school districts where State aid will increase under the SFRA Modification Law, the transition period to increase funding will be one-year.

After over 35 years of litigation, the State provides State aid to school districts of the State in amounts provided in the State Budget each year. These now include equalization aid, educational adequacy aid, special education categorical aid, transportation aid, preschool education aid, school choice aid, security aid, adjustment aid and other aid determined in the discretion of the Commissioner of Education.

State law requires that the State will provide aid for the construction of school facilities in an amount equal to the greater of the district aid percentage or 40% times the eligible costs determined by the Commissioner of Education either in the form of a grant or debt service aid as determined under EFCFA. The amount of the aid to which a school district is entitled is established prior to the authorization of the project. Grant funding is provided by the State up front, and debt service aid must be appropriated annually by the State.

The State reduced debt service aid by fifteen percent (15%) for the fiscal years 2011 through 2018. As a result of the debt service aid reduction for those fiscal years, school districts received eighty-five percent (85%) of the debt service aid that they would have otherwise received. In addition, school districts which received grants under the EFCFA, which grants were financed through the New Jersey Economic Development Authority (the "EDA"), were assessed an amount in their fiscal years 2011 through 2018 budgets representing 15% of the school district's proportionate share of the principal and interest payments on the outstanding EDA bonds issued to fund such grants.

SUMMARY OF FEDERAL AID TO SCHOOL DISTRICTS

Federal funds are available for certain programs approved by the federal government with allocation decided by the State, which assigns a proportion to each local school district. The Every Student Succeeds Act of 2015, enacted December 10, 2015, is a federal assistance program for which a school district qualifies to receive aid. A remedial enrichment program for children of low income families is available under Chapter 1 Aid. Such federal aid is generally received in the form of block grants. Aid is also provided under the Individuals with Disabilities Education Act although never in the amounts federal law required.

MUNICIPAL FINANCE - FINANCIAL REGULATION OF COUNTIES AND MUNICIPALITIES

Local Bond Law (N. J. S. A. 40A:2-1 et seq.)

The Local Bond Law governs the issuance of bonds and notes to finance certain general municipal and utility capital expenditures. Among its provisions are requirements that bonds must mature within the statutory period of usefulness of the projects bonded and that bonds be retired in serial installments. A 5% cash down payment is generally required toward the financing of expenditures for municipal purposes subject to a number of exceptions. All bonds and notes issued by the Borough are general full faith and credit obligations.

The authorized bonded indebtedness of a municipality for municipal purposes is limited by statute, subject to the exceptions noted below, to an amount equal to 3.5% of its average equalized valuation basis.

Certain categories of debt are permitted by statute to be deducted for purposes of computing the statutory debt limit, including school bonds that do not exceed the school bond borrowing margin and certain debt that may be deemed self-liquidating.

A municipality may exceed its debt limit with the approval of the Local Finance Board, a State regulatory agency (the "Local Finance Board), and as permitted by other statutory exceptions. If all or any part of a proposed debt authorization would exceed its debt limit, the municipality may apply to the Local Finance Board for an extension of credit. If the Local Finance Board determines that a proposed debt authorization would not materially impair the credit of the municipality or substantially reduce the ability of the municipality to meet its obligations or to provide essential public improvements and services, or if it makes certain other statutory determinations, approval is granted. In addition, debt in excess of the statutory limit may be issued by a municipality to fund certain notes, to provide for self-liquidating purposes, and, in each fiscal year, to provide for purposes in an amount not exceeding 2/3 of the amount budgeted in such fiscal year for the retirement of outstanding obligations (exclusive of utility and assessment obligations).

A municipality may sell short-term "bond anticipation notes" to temporarily finance a capital improvement or project in anticipation of the issuance of bonds if the bond ordinance or a subsequent resolution so provides. A local unit's bond anticipation notes must mature within one year, but may be renewed or rolled over. Bond anticipation notes, including renewals, must mature and be paid no later than the first day of the fifth month following the close of the tenth fiscal year next following the date of the original notes. For bond ordinances adopted on or after February 3, 2003, notes may only be renewed beyond the third anniversary date of the original notes if a minimum payment equal to the first year's required principal payment on the bonds is paid to retire a portion of the notes on or before each subsequent anniversary date from funds other than the proceeds of bonds or notes. For bond ordinances adopted prior to February 3, 2003, the governing body may elect to make such minimum principal payment only when the notes are renewed beyond the third and fourth anniversary dates. Generally, bond anticipation notes may not be outstanding for longer than ten (10) years. An additional period may be available following the tenth anniversary date equal to the period from the notes' maturity to the end of the tenth fiscal year in which the notes mature plus four (4) months in the next following fiscal year from the date of original issuance. Beginning in the third year, the amount of notes that may be issued is decreased by the minimum required for the first year's principal payment for a bond issue.

Local Budget Law (N. J. S. A. 40A:4-1 <u>et</u> <u>seq</u>.)

The foundation of the State local finance system is the annual cash basis budget. The Borough, which operates on a calendar year (January 1 to December 31), must adopt a budget in the form required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"). Certain items of revenue and appropriation are regulated by law and the proposed budget must be certified by the director of the Division (the "Director") prior to final adoption. The Local Budget Law requires each local unit to appropriate sufficient funds for payment of current debt service, and the Director is required to review the adequacy of such appropriations, among others, for certification.

Tax Anticipation Notes are limited in amount by law and must be paid off in full within 120 days of the close of the fiscal year.

The Director has no authority over individual operating appropriations, unless a specific amount is required by law, but the review functions focusing on anticipated revenues serve to protect the solvency of all local units.

The cash basis budgets of local units must be in balance, i.e., the total of anticipated revenues must equal the total of appropriations (N.J.S.A. 40A:4-22). If in any year a local unit's expenditures exceed its realized revenues for that year, then such excess must be raised in the succeeding year's budget.

The Local Budget Law (N.J.S.A. 40A:4-26) provides that no miscellaneous revenues from any source may be included as an anticipated revenue in the budget in excess of the amount actually realized in cash from the same source during the next preceding fiscal year, unless the Director determines that the facts clearly warrant the expectation that such excess amount will actually be realized in cash during the fiscal year and certifies that determination to the local unit.

No budget or budget amendment may be adopted unless the Director shall have previously certified his approval of such anticipated revenues except that categorical grants-in-aid contracts may be included for their face amount with an offsetting appropriation. The fiscal years for such grants rarely coincide with the municipality's calendar year. However, grant revenue is generally not realized until received in cash.

The same general principle that revenue cannot be anticipated in a budget in excess of that realized in the preceding year applies to property taxes. The maximum amount of delinquent taxes that may be anticipated is limited by a statutory formula, which allows the local unit to anticipate collection at the same rate realized for the collection of delinquent taxes in the previous year. Also, the local unit is required to make an appropriation for a "reserve for uncollected taxes" in accordance with a statutory formula to provide for a tax collection in an amount that does not exceed the percentage of taxes levied and payable in the preceding fiscal year that was received in cash by the last day of that fiscal year. The budget also must provide for any cash deficits of the prior year.

Emergency appropriations (those made after the adoption of the budget and the determination of the tax rate) may be authorized by the governing body of the local unit. However, with minor exceptions, such appropriations must be included in full in the following year's budget. When such appropriations exceed 3% of the adopted operating budget, consent of the Director must be obtained.

The exceptions are certain enumerated quasi-capital projects ("special emergencies") such as ice, snow and flood damage to streets, roads and bridges, which may be amortized over three (3) years, and tax map preparation, revaluation programs, revision and codification of ordinances, master plan preparations, and drainage map preparation for flood control purposes, which may be amortized over five (5) years. Emergency appropriations for capital projects may be financed through the adoption of a bond ordinance and amortized over the useful life of the project.

Budget transfers provide a degree of flexibility and afford a control mechanism. Transfers between appropriation accounts may be made only during the last two (2) months of the year. Appropriation reserves may also be transferred during the first three (3) months of the year, to the previous year's budget. Both types of transfers require a 2/3 vote of the full membership of the governing body; however, transfers cannot be made from either the down payment account or the capital improvement fund. Transfers may be made between sub-account line items within the same account at any time during the year, subject to internal review and approval. In a "CAP" budget, no transfers may be made from excluded from "CAP" appropriations to within "CAP" appropriations nor can transfers be made between excluded from "CAP" appropriations.

A provision of law known as the New Jersey "Cap Law" (N.J.S.A. 40A:4-45.1 et seq.*)* imposed limitations on increases in municipal appropriations subject to various exceptions. The payment of debt service is an exception from this limitation. The Cap formula is somewhat complex, but basically, it permits a municipality to increase its overall appropriations by the lesser of 2.5% or the "Index Rate". The "Index Rate" is the rate of annual percentage increase, rounded to the nearest one-half percent, in the Implicit Price Deflator for State and Local Government purchases of goods and services computed by the U.S. Department of Commerce. Exceptions to the limitations imposed by the Cap Law also exist for other things including capital expenditures; extraordinary expenses approved by the Local Finance Board for implementation of an interlocal services agreement; expenditures mandated as a result of certain emergencies; and certain expenditures for services mandated by law. Counties are also prohibited from increasing their tax levies by more than the lesser of 2.5% or the Index Rate subject to certain exceptions. Municipalities by ordinance approved by a majority of the full membership of the governing body may increase appropriations up to 3.5% over the prior year's appropriation, and counties by resolution approved by a majority of the full membership of the governing body may increase the tax levy up to 3.5% over the prior year's tax levy in years when the Index Rate is 2.5% or less.

Legislation constituting P.L. 2010, c. 44, approved July 13, 2010, limits tax levy increases for local units to 2% with exceptions only for capital expenditures including debt service, increases in pension contributions and accrued liability for pension contributions in excess of 2%, certain healthcare increases, extraordinary costs directly related to a declared emergency and amounts approved by a simple majority of voters voting at a special election.

Neither the tax levy limitation nor the "Cap Law" limits, including the provisions of the recent legislation, would limit the obligation of a municipality to levy *ad valorem* taxes upon all taxable property within a municipality to pay debt service on its bonds or notes.

In accordance with the Local Budget Law, each local unit must adopt and may from time to time amend rules and regulations for capital budgets, which rules and regulations must require a statement of capital undertakings underway or projected for a period not greater than over the next ensuing six (6) years as a general improvement program. The capital budget, when adopted, does not constitute the approval or appropriation of funds, but sets forth a plan of the possible capital expenditures which the local unit may contemplate over the next six (6) years. Expenditures for capital purposes may be made either by ordinances adopted by the governing body setting forth the items and the method of financing or from the annual operating budget if the terms were detailed.

Tax Assessment and Collection Procedure

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income, where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners, but it often results in a divergence of the assessment ratio to true value. Because of the changes in property resale values, annual adjustments could not keep pace with the changing values.

Upon the filing of certified adopted budgets by the local unit and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, the levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4-1 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

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

Tax installments not paid on or before the due date are subject to interest penalties of 8% per annum on the first $1,500.00 of the delinquency and 18% per annum on any amount in excess of $1,500.00. These interest penalties are the highest permitted under State statutes. If a delinquency is in excess of $10,000.00 and remains in arrears after December 31st, an additional penalty of 6% shall be charged. Delinquent taxes open for one year or more are annually included in a tax sale in accordance with State Statutes.

Tax Appeals

The State Statutes provide a taxpayer with remedial procedures for appealing an assessment deemed excessive. Prior to February 1 in each year, the municipality must mail to each property owner a notice of the current assessment and taxes on the property. The taxpayer has a right to petition the County Board of Taxation on or before April 1 for review. The County Board of Taxation has the authority after a hearing to decrease or reject the appeal petition. These adjustments are usually concluded within the current tax year and reductions are shown as canceled or remitted taxes for that year. If the taxpayer feels his petition was unsatisfactorily reviewed by the County Board of Taxation, appeal may be made to the Tax Court of New Jersey for further hearing. Some State Tax Court appeals may take several years prior to settlement, and any losses in tax collections from prior years are charged directly to operations or with the permission of the Local Finance Board may be financed over a three to five year period.

Local Fiscal Affairs Law (N.J.S.A. 40A:5-1 et seq.)

This law regulates the non-budgetary financial activities of local governments. The chief financial officer of every local unit must file annually, with the Director, a verified statement of the financial condition of the local unit and all constituent boards, agencies or commissions.

An independent examination of each local unit's accounts must be performed annually by a licensed registered municipal accountant. The audit, conforming to the Division of Local Government Services' "Requirements of Audit", includes recommendations for improvement of the local unit's financial procedures and must be filed with the Director within six months after the close of its fiscal year. A synopsis of the audit report, together with all recommendations made, must be published in a local newspaper within thirty (30) days of its submission.

FINANCIAL STATEMENTS

The audited financial statements of the Board for the year ended June 30, 2018 are presented in Appendix B to this Official Statement (the "Financial Statements"). The Financial Statements have been audited by T.M. Vrabel & Associates, LLC, Montville, New Jersey, an independent auditor (the "Auditor"). See "APPENDIX B - Financial Statements of The Board of Education of the Borough of Mountain Lakes in the County of Morris, New Jersey."

Such Financial Statements are included herein for informational purposes only, and the information contained in the Financial Statements should not be used to modify the description of the Bonds contained herein.

The Auditor has not participated in the preparation of this Official Statement except as previously stated.

LITIGATION

To the knowledge of the Board Attorney, Stephen R. Fogarty, Esquire, Fogarty & Hara, Esqs., Fair Lawn, New Jersey (the "Board Attorney"), there is no litigation of any nature now pending or threatened, restraining or enjoining the issuance or the delivery of the Bonds, or the levy or the collection of any taxes to pay the principal of or the interest on the Bonds, or in any manner questioning the authority or the proceedings for the issuance of the Bonds or for the levy or the collection of taxes, or contesting the corporate existence or the boundaries of the Board or the School District or the title of any of the present officers. To the knowledge of the Board Attorney, no litigation is presently pending or threatened that, in the opinion of the Board Attorney, would have a material adverse impact on the financial condition of the Board if adversely decided. A certificate to such effect will be executed by the Board Attorney and delivered to the Underwriter of the Bonds at the closing.

TAX MATTERS

Exclusion of Interest on the Bonds From Gross Income for Federal Tax Purposes

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Bonds in order to assure that interest on the Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Board to comply with such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Board has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or permit any action that would cause the interest on the Bonds to be included in gross income under Section 103 of the Code or cause interest on the Bonds be an item of tax preference under Section 57 of the Code.

In the opinion of Bond Counsel, assuming continuing compliance by the Board with the tax covenants referred to above, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds. Bond Counsel will render its opinion as of the date of issuance of the Bonds, and will assume no obligation to update the opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, the opinion of Bond Counsel is only an opinion and not a warranty or guaranty of the matters discussed.

Additional Federal Income Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations. Prospective purchasers of the Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The Internal Revenue Service (the "IRS") has established an on-going program to audit tax exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Bonds. Owners of the Bonds are advised that, if the IRS does audit the Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Board as the taxpayer, and the owners of the Bonds may have limited rights to participate in such procedure. The commencement of audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Original Issue Discount

The initial public offering price of the Bonds maturing on August 1, 2030 through and including August 1, 2033 (the "Discount Bonds") is less than the principal amount payable on the Discount Bonds at maturity. The difference between the initial public offering price at which a substantial amount of the Discount Bonds was sold and the principal amount payable at maturity of the Discount Bonds constitutes original issue discount. Bond Counsel is of the opinion that the appropriate portion of the original issue discount allocable to the original and each subsequent owner of the Discount Bonds will be treated for federal income tax purposes as interest not includable in gross income under Section 103 of the Code to the same extent as stated interest on the Discount Bonds. Under Section 1288 of the Code, original issue discount on the Discount Bonds accrues on the basis of economic accrual. The basis of an initial purchaser of a Discount Bond acquired at the initial public offering price of the Discount Bond will be increased by the amount of such accrued discount. Owners of the Discount Bonds should consult their personal tax advisors with respect to the determination for federal income tax purposes of the original issue discount properly accruable with respect to the Discount Bonds and the tax accounting treatment of accrued interest.

Original Issue Premium

The Bonds maturing on August 1, 2021 through and including August 1, 2028 and the Bonds maturing on August 1, 2035 through and including August 1, 2044 (collectively, the "Premium Bonds") were sold at a price in excess of the amount payable at the maturity date. The excess, if any, of the tax basis of the Premium Bonds to a purchaser (other than a purchaser who holds such Premium Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is amortizable bond premium, which is not deductible from gross income for federal income tax purposes. Amortizable bond premium, as it amortizes, will reduce the owner's tax cost of the Premium Bonds used to determine, for federal income tax purposes, the amount of gain or loss upon the sale, redemption at maturity or other disposition of the Premium Bonds. Accordingly, an owner of a Premium Bond may have taxable gain from the disposition of the Premium Bond, even though the Premium Bond is sold, or disposed of, for a price equal to the owner's original cost of acquiring the Premium Bond. Bond premium amortizes over the term of the Premium Bond under the "constant yield method" described in regulations interpreting Section 1272 of the Code. Owners of the Premium Bonds should consult their own tax advisors with respect to the calculation of the amount of bond premium which will be treated for federal income tax purposes as having amortized for any taxable year (or portion thereof) of the owner and with respect to other federal, state and local tax consequences of owning and disposing of the Premium Bonds.

State Taxation

Bond Counsel is of the opinion that, based upon existing law, interest on the Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

Changes in Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds, or the marketability of the Bonds, or otherwise prevent the owners of the Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds.

MUNICIPAL BANKRUPTCY

The undertakings of the Board should be considered with reference to 11 U.S.C. 401 et seq., as amended and supplemented (the "Bankruptcy Code"), and other bankruptcy laws affecting creditors' rights and municipalities in general. The Bankruptcy Code permits the State or any political subdivision, public agency, or instrumentality that is insolvent or unable to meet its debts to commence a voluntary bankruptcy case by filing a petition with a bankruptcy court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of petitioner's creditors; provides that a petition filed under this chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; grants certain priority to debt owed for services or material; and provides that the plan must be accepted in writing by or on behalf of classes of creditors holding at least two-thirds in amount and more than one-half in number of the allowed claims of such class. The Bankruptcy Code specifically does not limit or impair the power of a state to control, by legislation or otherwise, the procedures that a municipality must follow in order to take advantage of the provisions of the Bankruptcy Code.

The Bankruptcy Code provides that special revenue acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by such debtor before the commencement of such bankruptcy case. However, any such lien, other than municipal betterment assessments, shall be subject to the necessary operating expenses of such project or system. Furthermore, the Bankruptcy Code provides that a transfer of property of a debtor to or for the benefit of any holder of a bond or note, on account of such bond or note, may not be avoided pursuant to certain preferential transfer provisions set forth in such Bankruptcy Code.

Reference should also be made to N.J.S.A. 52:27-40 et seq., which provides that a local unit has the power to file a petition in bankruptcy with any United States Court or court in bankruptcy under the provisions of the Bankruptcy Code, for the purpose of effecting a plan of readjustment of its debts or for the composition of its debts; provided, however, the approval of the Municipal Finance Commission must be obtained. The powers of the Municipal Finance Commission have been vested in the Local Finance Board.

Reference to the Bankruptcy Code or the State statute should not create any implication that the Board expects to utilize the benefits of their provisions.

APPROVAL OF LEGAL PROCEEDINGS

All legal matters incident to the authorization, the issuance, the sale and the delivery of the Bonds are subject to the approval of Bond Counsel to the Board, whose approving legal opinion will be delivered with the Bonds substantially in the form set forth as Appendix C hereto. Certain legal matters may be passed on to the Board for review by the Board Attorney.

PREPARATION OF OFFICIAL STATEMENT

The Board hereby states that the descriptions and statements herein, including the Financial Statements, are true and correct in all material respects, and it will confirm same to the Underwriter by a certificate signed by the Interim Business Administrator/Board Secretary.

All other information has been obtained from sources that the Board considers to be reliable, and it makes no warranty, guaranty or other representation with respect to the accuracy and the completeness of such information.

Bond Counsel has neither participated in the preparation of the financial or statistical information contained in this Official Statement, nor have they verified the accuracy, completeness or fairness thereof and, accordingly, expresses no opinion with respect thereto.

RATING

S&P Global Ratings, acting through Standard & Poor's Financial Services LLC (the "Rating Agency"), has assigned a rating of "AA+" to the Bonds based upon the underlying credit of the School District. The Bonds are additionally secured by the Act.

The rating reflects only the views of the Rating Agency and an explanation of the significance of such rating may only be obtained from the Rating Agency. The Board furnished to the Rating Agency certain information and materials concerning the Bonds and the School District. There can be no assurance that the rating will be maintained for any given period of time or that it may not be raised, lowered or withdrawn entirely if, in the Rating Agency's judgment, circumstances so warrant. Any downward change in or withdrawal of such rating may have an adverse effect on the marketability or market price of the Bonds.

UNDERWRITING

The Bonds have been purchased from the Board at a public sale by Roosevelt & Cross, Inc. and Associates, New York, New York (the "Underwriter") at a price of $17,216,000.00.

The Underwriter intends to offer the Bonds to the public initially at the offering yields set forth on the inside front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investments trusts) at yields higher than the public offering yields set forth on the inside front cover of this Official Statement, and such yields may be changed, from time to time, by the Underwriter without prior notice.

MUNICIPAL ADVISOR

Phoenix Advisors, LLC, Bordentown, New Jersey has served as Municipal Advisor to the Board with respect to the issuance of the Bonds (the "Municipal Advisor"). The Municipal Advisor is not obligated to undertake and has not undertaken, either to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement and the appendices hereto. The Municipal Advisor is an independent firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

SECONDARY MARKET DISCLOSURE

The Board has covenanted for the benefit of Bondholders and Beneficial Owners in a Continuing Disclosure Certificate dated the date of closing (the "Certificate") to be executed and delivered by the Board simultaneously with the delivery of the Bonds, to provide certain information and operating data by no later than February 28th of each fiscal year (presently June 30), commencing with the fiscal year of the Board ending June 30, 2019 and to provide notices of certain enumerated events. The specific nature of the secondary market disclosure is set forth in the Certificate which appears as Appendix "D" to this Official Statement. These covenants have been made by the Board to assist the Underwriter in complying with the provisions of Rule 15c2-12(b)(5) (the "Rule") promulgated by the Securities and Exchange Commission.

The Board has previously entered into continuing disclosure undertakings under the Rule with respect to obligations for which the Board is an obligated person. The Board appointed Phoenix Advisors, LLC in April of 2015 to serve as continuing disclosure agent to assist in the filing of certain information on EMMA as required under its obligations.

ADDITIONAL INFORMATION

Inquiries regarding this Official Statement, including information additional to that contained herein, may be directed to H. Ronald Smith, Interim Business Administrator/Board Secretary, at 400 Boulevard, Mountain Lakes, New Jersey 07046, (973) 334-8280, or to the Municipal Advisor at 625 Farnsworth Avenue, Bordentown, New Jersey 08505, (609) 291-0130.

CERTIFICATE WITH RESPECT TO THE OFFICIAL STATEMENT

At the time of the original delivery of the Bonds, the Board will deliver a certificate of one of its authorized officials to the effect that such official has examined this Official Statement (including the appendices) and the financial and other data concerning the School District contained herein and that, to the best of such official's knowledge and belief, (i) this Official Statement, both as of its date and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading and (ii) between the date of this Official Statement and the date of delivery of the Bonds there has been no material adverse change in the affairs (financial or otherwise), financial condition or results or operations of the Board except as set forth in or contemplated by this Official Statement.

MISCELLANEOUS

This Official Statement is not to be construed as a contract or agreement among the Board, the Underwriter and the holders of any of the Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board since the date hereof. The information contained in this Official Statement is not guaranteed as to accuracy or completeness.

THE BOARD OF EDUCATION OF THE BOROUGH OF MOUNTAIN LAKES IN THE COUNTY OF MORRIS, NEW JERSEY

By: /s/ H. Ronald Smith
H. Ronald Smith,
Interim Business Administrator/Board Secretary

Date: July 17, 2019

APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT THE SCHOOL DISTRICT AND THE BOROUGH OF MOUNTAIN LAKES, IN THE COUNTY OF MORRIS, NEW JERSEY

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INFORMATION REGARDING THE SCHOOL DISTRICT[1]

Type

The Board of Education of the Borough of Mountain Lakes (the "Board" or the "School District") is a Type II school district that is coterminous with the borders of the Borough of Mountain Lakes. The School District provides a full range of educational services appropriate to pre-kindergarten (Pre-K) through twelfth (12) grade.

The Board is composed of ten (10) members, nine elected by the legally qualified voters in the School District to terms of three (3) years on a staggered basis and the Boonton Board Representative who serves a 1-year term. The President and Vice President are chosen for one (1) year terms from among the members of the Board.

The Board is the policy making body of the School District and has the general responsibility for providing an education program, the power to establish policies and supervise the public schools in the School District, the responsibility to develop the annual School District budget and present it to the legally registered voters in the School District. The Board's fiscal year ends each June 30.

The Board appoints a Superintendent and Board Secretary/Business Administrator who are responsible for budgeting, planning and the operational functions of the School District. The administrative structure of the Board gives final responsibility for both the educational process and the business operation to the Superintendent.

Description of Facilities

The Board presently operates the following school facilities:

Facility	Construction Date	Addition/ Renovation	Grade Level	Student Enrollment (As of 6/30/18)
Wildwood Elementary School	1950	1985,1999	Pre-K-5	465
Briarcliff Middle School	1935	1999	6-8	307
Mountain Lakes High School	1963	1972,2006	9-12	721
Lake Drive School for the Deaf & Hard of Hearing Children	1914	1920	N/A	115

Source: Comprehensive Annual Financial Report of the School District

[1] Source: The Board, unless otherwise indicated.

Staff

The Superintendent is the chief executive officer of the Board and is in charge of carrying out Board policies. The Board Secretary/Business Administrator is the chief financial officer of the Board and must submit monthly financial reports to the Board and annual reports to the New Jersey Department of Education.

The following table presents the number of full and part-time teaching professionals and support staff of the School District as of June 30 for each of the past five (5) years.

	2018	**2017**	**2016**	**2015**	**2014**
Teaching Professionals	245	240	240	240	238
Support Staff	140	136	136	135	165
Total Full & Part Time Employees	385	376	376	375	403

Source: Comprehensive Annual Financial Report of the School District

Pupil Enrollments

The following table presents the historical average daily pupil enrollments for the past five (5) school years.

Pupil Enrollments

School Year	**Enrollment**
2017-2018	1,532
2016-2017	1,595
2015-2016	1,534
2014-2015	1,556
2013-2014	1,585

Source: School District and Comprehensive Annual Financial Report of the School District

Pensions

Those employees of the School District who are eligible for pension coverage are enrolled in one of the two State-administered multi-employer pension systems (the “Pension System”). The Pension System was established by an act of the State Legislature. The Board of Trustees for the Pension System is responsible for the organization and administration of the Pension System. The two State-administered pension funds are: (1) the Teacher's Pension and Annuity Fund (“TPAF”) and (2) the Public Employee's Retirement System (“PERS”). The Division of Pensions and Benefits, within the State of New Jersey Department of the Treasury (the “Division”), charges the participating school districts annually for their respective contributions. The School District raises its contributions through taxation and the State contributes the employer's share of the annual Social Security and Pension contribution for employees enrolled in the TPAF. The Pension System is a cost sharing multiple employer contributory defined benefit plan. The Pension System's designated purpose is to provide retirement and medical benefits for qualified retirees and other benefits to its members. Membership in the Pension System is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State administered retirement system or other state or local jurisdiction.

Fiscal 2019-20 Budget

Prior to the passage of P.L. 2011, c.202 the Board was required to submit its budget for voter approval on an annual basis. Under the Election Law (P.L. 2011, c.202, effective January 17, 2012) if a school district opted to move its annual election to November, it is no longer required to submit the budget to voters for approval if the budget is at or below the two-percent (2%) property tax levy cap as provided for under New Cap Law (P.L. 2010, c.44). If a school district proposes to spend above the two-percent (2%) property tax levy cap, it is then required to submit its budget to voters at the annual school election in November.

The General Fund budget is the sum of all state aid (exclusive of pension aid and social security aid) and the local tax levy (exclusive of debt service). The Board's General Fund Budget for the 2019-2020 fiscal year is $36,978,527. The major sources of revenue are $21,394,278 from the local tax levy and $13,676,296 from tuition.

Source: Annual User-Friendly Budget of the School District

Budget History

A summary of the last five (5) budget years of the Board is presented below:

Budget Year	Amount Raised in Taxes	Budget Amount	Election Result
2019-2020	$21,394,278	$36,978,527	N/A
2018-2019	20,872,466	36,277,946	N/A
2017-2018	20,320,489	35,115,027	N/A
2016-2017	19,810,179	35,456,483	N/A
2015-2016	19,307,492	34,557,402	N/A

Source: Annual User-Friendly Budget of the School District and NJ State Department of Education Website – School Election Results

Financial Operations

The following table summarizes information on the changes in general fund revenues and expenditures for the school years ending June 30, 2014 through June 30, 2018. Beginning with the 1993-94 fiscal year, school districts in the State prepare their financial statements in accordance with Generally Accepted Accounting Principles in the United States.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEARS ENDED JUNE 30:

	2018	2017	2016	2015	2014
REVENUES					
Local Sources:					
Local Tax Levy	$20,320,489	$19,810,178	$19,307,492	$18,928,914	$18,559,578
Other Local Revenue	13,873,207	13,955,410	13,090,780	13,240,921	13,312,932
Total revenues-local sources	34,193,696	33,765,588	32,398,272	32,169,835	31,872,510
State Sources	6,324,044	3,883,698	3,660,404	3,572,182	3,914,456
Federal Sources	0	0	0	0	0
Total Revenues	$40,517,740	$37,649,286	$36,058,676	$35,742,017	$35,786,966
EXPENDITURES					
General Fund:					
Instruction	$16,448,388	$15,993,715	$15,907,419	$15,739,009	$15,341,149
Undistributed Expenditures	23,811,215	20,601,465	20,358,899	19,780,830	20,806,897
Capital Outlay	264,765	289,480	3,047,530	802,849	0
Total Expenditures	$40,524,367	$36,884,660	$39,313,848	$36,322,688	$36,148,046
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(6,627)	764,626	(3,255,172)	(580,671)	(361,080)
Other Financing Sources (Uses):					
Proceeds of Capital Lease	0	0	2,550,000	249,543	0
Transfers in	0	0	0	0	0
Transfers out	(38,837)	(36,303)	(50,023)	(27,535)	0
Total other financing sources (uses)	(38,837)	(36,303)	2,499,977	222,008	0
Net Change in Fund Balance	(45,464)	728,323	(755,194)	(358,663)	(361,080)
Fund Balance, July 1	2,868,046	2,139,723	2,894,917	3,253,580	3,614,660
Fund Balance, June 30	$2,822,581	$2,868,046	$2,139,723	$2,894,917	$3,253,580

Source: Comprehensive Annual Financial Report of the School District. Statement of Revenues, Expenditures Governmental Funds and Changes In Fund Balances on a GAAP basis

Long Term Debt

The following table outlines the principal and interest requirements on the outstanding long-term debt of the Board as of June 30, 2018.

Fiscal Year Ending	Principal	Interest	Total
2019	915,000	233,125	1,148,125
2020	915,000	210,788	1,125,788
2021	955,000	184,138	1,139,138
2022	965,000	152,856	1,117,856
2023	985,000	114,588	1,099,588
2024	500,000	74,863	574,863
2025	510,000	63,181	573,181
2026	500,000	50,875	550,875
2027	515,000	36,900	551,900
2028	505,000	21,600	526,600
2029	510,000	7,013	517,013
TOTALS	$7,775,000	$1,149,925	$8,924,925

Source: Comprehensive Annual Financial Report of the School District

Debt Limit of the Board

The debt limitation of the Board is established by statute (N.J.S.A. 18A:24-19). The Board is permitted to incur debt up to 4% of the average equalized valuation for the past three years (See "SUMMARY OF CERTAIN PROVISIONS FOR THE PROTECTION OF SCHOOL DEBT- Exceptions to School Debt Limitations" herein). The following is a summary of the Board's debt limitation as of June 30, 2018:

Average Equalized Real Property Valuation (2016, 2017, and 2018)	$1,341,457,911
School District Debt Analysis	
Permitted Debt Limitation (4% of AEVP)	$53,658,316
Less: Bonds and Notes Authorized and Outstanding	7,775,000
Remaining Limitation of Indebtedness	$45,883,316
Percentage of Net School Debt to Average Equalized Valuation	0.58%

Source: Comprehensive Annual Financial Report of the School District

INFORMATION REGARDING THE BOROUGH[2]

The following material presents certain economic and demographic information for the Borough of Mountain Lakes (the "Borough"), in the County of Morris (the "County"), State of New Jersey (the "State").

General Information

The Borough comprises an area of 3.l square miles, located about 25 miles west of the George Washington Bridge, 15 miles northwest of Newark and just under 7 miles north of Morristown. The Borough is an established community with an abundance of large trees, older homes, a highly-rated school system, recreational facilities and excellent road and public transportation to all parts of the New York-New Jersey metropolitan area.

Municipal Government

The Borough is governed by a seven-member, non-paid Council under the Council-Manager Plan E form government in accordance with the Optional Municipal Charter Law (Faulkner Act) of 1950. This form of government has been in effect since January 1,1975. The Council members are elected at large every two years for four year overlapping terms. The mayor and deputy mayor are chosen by their Council colleagues. The Council is a legislative body to formulate policy, appropriate funds, and adopt ordinances and resolutions for the conduct of Borough business. The Council appoints a full-time salaried manager who is the chief administrative and executive officer.

Pension and Retirement Systems

Substantially all eligible employees participate in PERS, the Police and Firemen's Retirement System or the Defined Contribution Retirement Program, which have been established by State statute and are administered by the Division. Benefits, contributions, means of funding and the manner of administration are established pursuant to State statute. The Division annually charges municipalities and other participating governmental units for their respective contributions to the plans based upon actuarial calculations and the employees contribute a portion of the cost. Each Plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes the financial statements and required supplementary information. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or is available online at www.nj.gov/treasury/pensions/financial-reports.shtml.

PERS is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not required to be a member of

[2] Source: The Borough, unless otherwise indicated.

another State-administered retirement system or other State pension fund or local jurisdiction's pension fund.

The Police and Firemen's Retirement System ("PFRS") is a cost-sharing multiple-employer defined benefit pension plan which was established as of July 1, 1944, under the provisions of N.J.S.A. 43:16A, to provide retirement, death, disability and medical benefits to certain qualified members. Membership is mandatory for substantially all full-time county and municipal police and firemen or officer employees with police powers appointed after June 30, 1944.

The Defined Contribution Retirement Program ("DCRP") is a multiple-employer defined contribution pension fund which was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

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Employment and Unemployment Comparisons

For the following years, the New Jersey Department of Labor reported the following annual average employment information for the Borough, the County, and the State:

	Total Labor Force	Employed Labor Force	Total Unemployed	Unemployment Rate
Borough				
2018	1,829	1,783	46	2.5%
2017	1,844	1,789	55	3.0%
2016	1,862	1,806	56	3.0%
2015	1,848	1,785	63	3.4%
2014	1,847	1,768	79	4.3%
County				
2018	252,984	244,696	8,288	3.3%
2017	254,770	245,505	9,265	3.6%
2016	257,919	247,799	10,120	3.9%
2015	259,239	247,878	11,361	4.4%
2014	260,268	247,132	13,136	5.0%
State				
2018	4,422,900	4,239,600	183,400	4.1%
2017	4,518,838	4,309,708	209,123	4.6%
2016	4,530,800	4,305,515	225,262	5.0%
2015	4,537,231	4,274,685	262,531	5.8%
2014	4,527,177	4,221,277	305,900	6.8%

Source: New Jersey Department of Labor, Office of Research and Planning, Division of Labor Market and Demographic Research, Bureau of Labor Force Statistics, Local Area Unemployment Statistics

Income (as of 2017)

	Borough	County	State
Median Household Income	$175,556	$107,034	$76,475
Median Family Income	196,776	130,058	94,337
Per Capita Income	84,741	53,491	39,069

Source: US Bureau of the Census, 2017 American Community Survey 5-Year Estimates

Population

The following table summarizes population increases and the decreases for the Borough, the County, and the State.

	Borough		County		State	
Year	**Population**	**% Change**	**Population**	**% Change**	**Population**	**% Change**
2017 Estimate	4,345	4.45%	499,693	1.51%	8,958,013	1.89%
2010	4,160	-2.26	492,276	4.69	8,791,894	4.49
2000	4,256	10.63	470,212	11.60	8,414,350	8.85
1990	3,847	-7.37	421,353	0.00	7,730,188	4.96
1980	4,153	-12.37	421,353	9.88	7,365,001	2.75
1970	4,739	17.39	383,454	46.57	7,168,164	18.15

Source: United States Department of Commerce, Bureau of the Census

Largest Taxpayers

The ten largest taxpayers in the Borough and their assessed valuations are listed below:

Taxpayers	2018 Assessed Valuation	% of Total Assessed Valuation
Fairfield Industrial LLC	$15,174,100	1.26%
GIM Mountain Lakes Investors, LLC	8,450,000	0.70%
Euroimmun US Real Estate LLC	5,898,400	0.49%
Mountain Lakes Realty LLC	5,500,000	0.46%
Deluxe Corportation	5,236,700	0.44%
ML Mansion on 46 LLC	4,200,000	0.35%
Mountain Lakes Club	4,000,000	0.33%
Zeris Brothers Inc.	2,912,700	0.24%
Individual Taxpayer	2,732,700	0.23%
VREP-2.01 Bloomfield LLC	2,718,300	0.23%
Total	$56,822,900	4.73%

Source: Comprehensive Annual Financial Report of the School District & Municipal Tax Assessor

Comparison of Tax Levies and Collections

Year	Tax Levy	Current Year Collection	Current Year % of Collection
2018	$31,760,632	$31,429,605	98.96%
2017	30,921,006	30,716,659	99.34%
2016	30,310,374	29,893,484	98.62%
2015	29,447,982	29,200,517	99.16%
2014	28,884,233	28,715,660	99.42%

Source: Annual Audit Reports of the Borough

Delinquent Taxes and Tax Title Liens

Year	Amount of Tax Title Liens	Amount of Delinquent Tax	Total Delinquent	% of Tax Levy
2018	$13,029	$214,003	$227,032	0.71%
2017	0	193,873	193,873	0.63%
2016	0	217,685	217,685	0.72%
2015	0	217,981	217,981	0.74%
2014	0	109,488	109,488	0.38%

Source: Annual Audit Reports of the Borough

Property Acquired by Tax Lien Liquidation

Year	Amount
2018	$169,885
2017	169,885
2016	169,885
2015	169,885
2014	169,885

Source: Annual Audit Reports of the Borough

Tax Rates per $100 of Net Valuations Taxable and Allocations

The table below lists the tax rates for Borough residents for the past five (5) years.

Year	Municipal	Local School	County	Total
2018	$0.531	$1.802	$0.295	$2.628
2017	0.519	1.765	0.288	2.572
2016	0.514	1.730	0.284	2.528
2015	0.492	1.697	0.279	2.468
2014	0.475	1.662	0.285	2.422

Source: Abstract of Ratables and State of New Jersey – Property Taxes

Valuation of Property

Year	Aggregate Assessed Valuation of Real Property	Aggregate True Value of Real Property	Ratio of Assessed to True Value	Assessed Value of Personal Property	Equalized Valuation
2018	$1,199,913,300	$1,352,319,734	88.73%	$803,200	$1,353,122,934
2017	1,197,068,200	1,354,149,548	88.40	803,200	1,354,952,748
2016	1,193,098,900	1,317,904,452	90.53	803,200	1,318,707,652
2015	1,188,952,600	1,323,263,884	89.85	803,200	1,324,067,084
2014	1,187,415,000	1,315,258,086	90.28	1,284,800	1,316,542,886

Source: Abstract of Ratables and State of New Jersey – Table of Equalized Valuations

Classification of Ratables

The table below lists the comparative assessed valuation for each classification of real property within the Borough for the past five (5) years.

Year	Vacant Land	Residential	Farm	Commercial	Industrial	Apartments	Total
2018	$9,869,400	$1,093,227,900	$2,700	$93,587,200	$3,226,100	$0	$1,199,913,300
2017	10,745,400	1,089,417,800	2,700	93,676,200	3,226,100	0	1,197,068,200
2016	14,105,200	1,081,603,000	2,700	94,161,900	3,226,100	0	1,193,098,900
2015	16,352,300	1,075,076,800	2,700	94,294,700	3,226,100	0	1,188,952,600
2014	19,674,200	1,070,204,200	2,700	94,307,800	3,226,100	0	1,187,415,000

Source: Abstract of Ratables and State of New Jersey – Property Value Classification

Financial Operations

The following table summarizes the Borough's Current Fund budget for the past five (5) fiscal years ending December 31. The following summary should be used in conjunction with the tables in the sourced documents from which it is derived.

Summary of Current Fund Budget

Anticipated Revenues	2015	2016	2017	2018	2019
Fund Balance Utilized	$1,500,000	$741,000	$1,028,400	$1,564,338	$1,459,338
Miscellaneous Revenues	1,471,959	1,841,145	1,201,189	1,232,033	1,274,511
Receipts from Delinquent Taxes	109,000	212,500	315,000	186,000	186,000
Amount to be Raised by Taxation	5,810,946	6,132,253	6,223,970	6,381,185	6,651,119
Total Revenue:	$8,891,905	$8,926,898	$8,768,559	$9,363,557	$9,570,968
Appropriations					
General Appropriations	$5,398,676	$5,531,490	$5,563,005	$6,116,021	$6,109,961
Operations (Excluded from CAPS)	458,068	449,457	476,972	499,505	588,136
Deferred Charges and Statutory Expenditures	200,000	0	20,887	20,887	20,887
Judgments	0	0	0	0	0
Capital Improvement Fund	37,500	113,445	38,865	38,865	148,198
Municipal Debt Service	1,280,213	1,231,825	1,289,330	1,276,125	1,248,425
Reserve for Uncollected Taxes	1,517,449	1,600,682	1,379,500	1,412,153	1,455,361
Total Appropriations:	$8,891,905	$8,926,898	$8,768,559	$9,363,557	$9,570,968

Source: Annual Adopted Budgets of the Borough

Fund Balance

Current Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Current Fund for the past five (5) fiscal years ending December 31.

Fund Balance - Current Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2018	$2,087,200	$1,459,338
2017	2,423,037	1,564,338
2016	1,628,624	1,028,400
2015	763,237	741,000
2014	1,642,101	1,500,000

Source: Annual Audit Reports of the Borough

Sewer Utility Operating Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Sewer Utility Operating Fund for the past five (5) fiscal years ending December 31.

Fund Balance - Sewer Utility Operating Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2018	$8,735	$0
2017	43,242	34,507
2016	78,242	35,000
2015	140,419	72,500
2014	37,466	37,000

Source: Annual Audit Reports of the Borough

Water Utility Operating Fund

The following table lists the Borough's fund balance and the amount utilized in the succeeding year's budget for the Water Utility Operating Fund for the past five (5) fiscal years ending December 31.

Fund Balance - Water Utility Operating Fund

Year	Balance 12/31	Utilized in Budget of Succeeding Year
2018	$225,948	$109,342
2017	187,519	93,324
2016	228,127	60,000
2015	140,419	70,000
2014	68,799	68,000

Source: Annual Audit Reports of the Borough

Borough Indebtedness as of December 31, 2018

General Purpose Debt	
Serial Bonds	$7,735,000
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	835,054
Other Bonds, Notes and Loans	0
Total:	$8,570,054
Local School District Debt	
Serial Bonds	$7,265,000
Temporary Notes Issued	0
Bonds and Notes Authorized but Not Issued	0
Total:	$7,265,000
Self-Liquidating Debt	
Serial Bonds	$0
Bond Anticipation Notes	0
Bonds and Notes Authorized but Not Issued	0
Other Bonds, Notes and Loans	0
Total:	$0
TOTAL GROSS DEBT	**$15,835,054**
Less: Statutory Deductions	
General Purpose Debt	$0
Local School District Debt	7,265,000
Self-Liquidating Debt	0
Total:	$7,265,000
TOTAL NET DEBT	**$8,570,054**

Source: Annual Debt Statement of the Borough

Overlapping Debt (as of December 31, 2018)[3]

Name of Related Entity	Related Entity Debt Outstanding	Borough Percentage	Borough Share
Local School District	$7,265,000	100.00%	$7,265,000
County	367,644,700	1.42%	5,215,280
Net Indirect Debt			$12,480,280
Net Direct Debt			8,570,054
Total Net Direct and Indirect Debt			**$21,050,334**

Debt Limit

Average Equalized Valuation Basis (2016, 2017, 2018)	$1,341,457,911
Permitted Debt Limitation (3 1/2%)	46,951,027
Less: Net Debt	8,570,054
Remaining Borrowing Power	$38,380,973
Percentage of Net Debt to Average Equalized Valuation	0.639%
Gross Debt Per Capita based on 2010 population of 4,160	$3,807
Net Debt Per Capita based on 2010 population of 4,160	$2,060

Source: Annual Debt Statement of the Borough

[3] Borough percentage of County debt is based on the Borough's share of total equalized valuation in the County.

APPENDIX B

FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION OF THE BOROUGH OF MOUNTAIN LAKES IN THE COUNTY OF MORRIS, NEW JERSEY

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COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Borough of Mountain Lakes School District Board of Education
Mountain Lakes, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

Borough of Mountain Lakes Board of Education
Finance Department

BOARD OF EDUCATION
BOROUGH OF MOUNTAIN LAKES

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Introductory Section

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Mountain Lakes Board of Education
400 Boulevard
Mountain Lakes, NJ 07046
973-334-8280

September 13, 2018

Honorable President and
Members of the Board of Education
Mountain Lakes School District
Morris County, New Jersey

Dear Board Members:

The comprehensive annual financial report (CAFR) of the Mountain Lakes School District (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 (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, 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 District as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the revised Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards", and the state Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws, regulations, findings and recommendations, are included in the single audit section of this section.

1. <u>REPORTING ENTITY SERVICES</u>: The Mountain Lakes School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB No. 14. All funds and account groups of the District are included in this report. The Mountain Lakes Board of Education and all its schools constitute the District's reporting entity.

   The District provides a full range of educational services appropriate to grade levels K through 12. These include regular programs, as well as the Lake Drive School for Deaf and Hard of

Hearing Children. Lake Drive provides comprehensive educational services to deaf and hard of hearing children ranging in age from infants through high school. The following details the changes in the student enrollment of the District over the last five years.

Average Daily Enrollment

Fiscal Year	Student Enrollment*	Percent Change
2005-2006	1627	-.99%
2006-2007	1591	-2.2%
2007-2008	1603	+.75%
2008-2009	1635	+.02%
2009-2010	1642	+1%
2010-2011	1626	-1.01%
2011-2012	1619	-.004%
2012-2013	1638	+1.2%
2013-2014	1585	-3.24%
2014-2015	1556	-1.89%
2015-2016	1534	-1.43%
2016-2017	1595	+4.00%
2017-2018	1532	-4.00%

*Includes non-resident students, Boonton Township students and students at the Lake Drive School for Deaf and Hard of Hearing Children.

2. ECONOMIC CONDITION AND OUTLOOK: The Mountain Lakes Public Schools 2018-2019 budget contains all the necessary elements to provide our students with a quality education. The district continues to provide a great diversity of courses at all levels. Consequently, we continue to offer a large number of courses, particularly at the high school level. Every effort, however, has been made to hold staff levels as well as general budget expenditures. The Board of Education recognizes the difficult position of our state and local economy and is making every effort to act responsibly. Despite the pressure on schools to reduce services, our budget supports our educational programs at the same levels as the prior year. There are no courses cut from the curriculum, class sizes remain relatively consistent.

3. MAJOR INITIATIVES: Respecting the difficult times we face, the Board worked closely with the Administration to develop a 2018-2019 Budget that reflects strong spending discipline as well as significant new sources of savings. The budget maintains our excellent educational program, while also addressing critical building repair needs. We have proposed over $398,298 for capital outlay projects including: floor covering, furniture/cabinet replacement & upgrade, and heat system repairs in Mountain Lakes High School; Alertus System and air condition, phase II in Briarcliff Middle School; replacement of cabinets, repair/replacement unit ventilation, Alertus System and gym floor repairs in Wildwood Elementary School; exterior trim, floor covering, and temperature controls in Lake Drive School; school bus replacement, grand stands (ramp), tech lease purchase and State SDA Assessment.

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

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

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

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

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

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

7. DEBT ADMINISTRATION: At June 30, 2018 the District's outstanding debt total was **$24,991,215.** In September 2017, the residents of the borough authorized an additional **$17,216,215** in debt. This authorization includes a state subsidy of approximately 3.3 million.

8. CASH MANAGEMENT: The investment policy of the District is guided in large parts by state statute as detailed in "Notes to the Financial Statements", Note 2. 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.

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

10. OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of T.M. Vrabel & Associates, LLC was selected by the Board of Education. In addition to meeting the requirements set forth in state statures, the audit also was designed to meet the requirements of the revised Single Audit Act Amendments of 1996 and the related Title 2 U.S. Code of Federal Regulations (CFR) Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," and state Treasury Circular Letter 15-08 OMB. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Mountain Lakes 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.

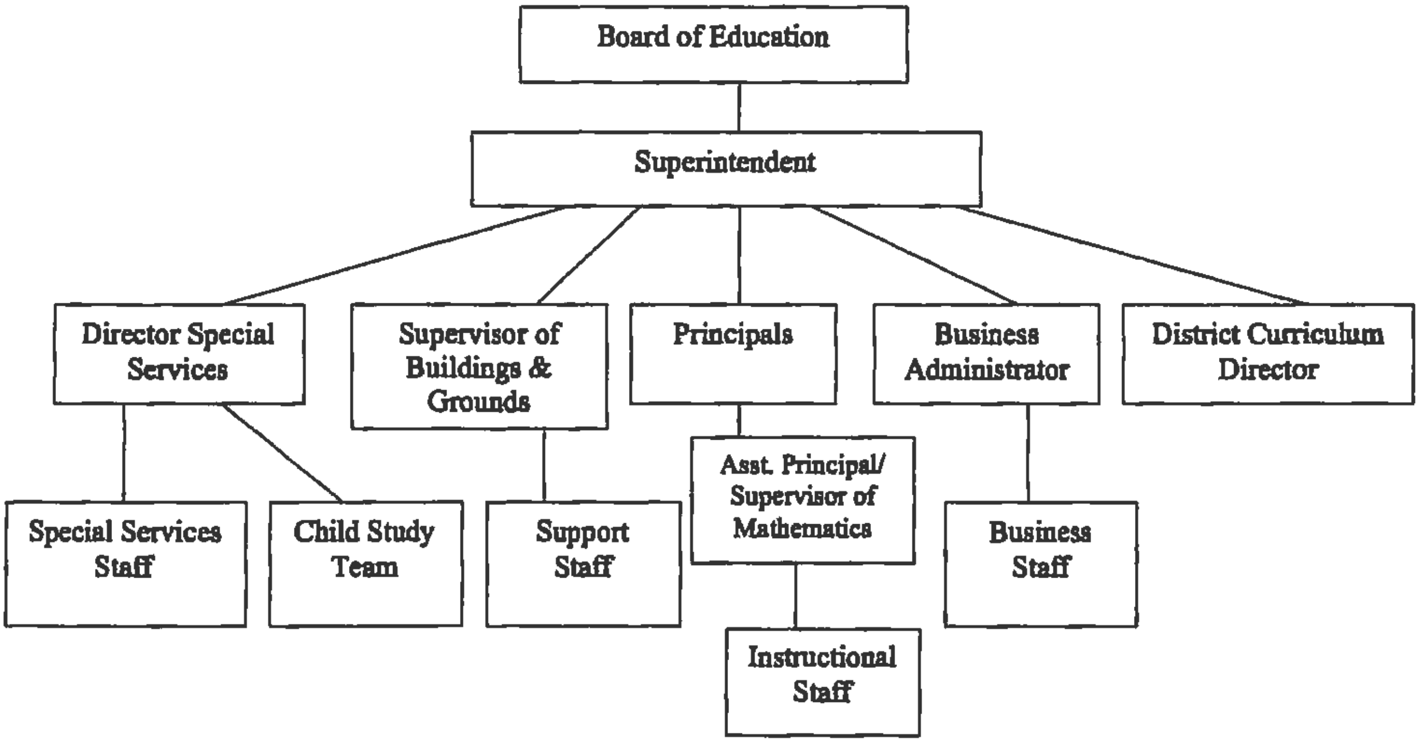
Respectfully submitted,

Anne Mucci

Anne Mucci, Ed.D.
Superintendent

Daniel A. Borgo
School Business Administrator/Board Secretary

Mountain Lakes District Organizational Chart



MOUNTAIN LAKES BOARD OF EDUCATION

ROSTER OF OFFICIALS
JUNE 30, 2018

Members of the Board of Education	Term Expires
Joanne Barkauskas	2019
Lydia Cipriani-Spoto	2020
Jack Gentul	2020
Elena Goldthwaite, President	2018
James Hirschfeld	2019
John Kaplan	2018
William Koy	2020
Julie Shepherd	2018
Lauren Silva McIntyre	2018
Patty Collins	

Other Officials

Anne Mucci, Superintendent of Schools

Daniel A. Borgo, Business Administrator/Board Secretary

D. Timothy Roberts, Treasurer

Mountain Lakes Board of Education

Consultants and Advisors

Architects
Parette Somjen Architects, LLC
439 Route 46 East
Rockaway, NJ 07866

Audit Firm
T.M. Vrabel & Associates, LLC
350 Main Road, Suite 104
Montville, NJ 07045

Attorney
Comegno Law Group, P.C.
521 Pleasant Valley Avenue
Moorestown, NJ 08057

Official Depository
Lakeland Bank
321 West Main St.
Boonton, NJ 07005

Financial Section

Independent Auditor's Report

T. M. Vrabel & Associates, LLC
Accountants and Auditors

Timothy M. Vrabel, RMA, PSA
Chris C. Hwang, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Mountain Lakes School District as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the District's basic financial statements 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 the 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.

Auditor's 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 in compliance with audit requirements 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 basic financial statements are free of 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for

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the purpose of expressing an opinion on the effectiveness of the entity'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 the Borough of Mountain Lakes School District as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Page 14 through 20 and budgetary comparison information of schedules C-1 and C-2 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 Borough of Mountain Lakes School District's basic financial statements. The accompanying introductory section, and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, statistical tables and the Schedules of Expenditures of Federal Awards and State Financial Assistance as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, long-term debt schedules and the Schedules of Expenditures of Federal Awards and State Financial Assistance is the responsibility of management and was derived from and relates 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, long-term debt schedules and the Schedules of Expenditures of Federal

Awards and State Financial Assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical tables have not been subjected to the auditing procedures and 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 September 13, 2018 on our consideration of the Borough of Mountain Lakes School District's internal control over financial reporting and on out 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Borough of Mountain Lakes School District's internal control over financial reporting and compliance.

Timothy M. Vrabel
Public School Accountant
License No. CS000689

Chris C. W. Hwang
Certified Public Accountant
License No. CC033704

Montville, New Jersey
September 13, 2018

REQUIRED SUPPLEMENTARY INFORMATION - PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Mountain Lakes School District financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the transmittal letter on page 1 and the District's financial statements, which begin on page 23.

FINANCIAL HIGHLIGHTS

- The district's net position decreased $118,000 as a result of this year's operations. Net position of the district's business-type activities increased $5,000 and net position of governmental activities decreased by $123,000, or 3.0 percent.
- Total cost of all of the District's operating programs was $52.2 million in 2017-2018 as compared to $40.6 million in 2016-2017.
- During the 2017-2018 school year, the District had tax and other program revenues that were less than expenses for governmental activities by $838,000.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 23 and 24) provide information about the activities of the District as a whole and present a longer-term view on the District's finances. Fund financial statements start on page 27. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements by providing information about the District's most financially significant funds

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the District as a whole begins on page 16. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. You can think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or *financial position*. Over time, *increases* or *decreases* in the District's net position are one indicator whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's property tax base, and the condition of the District's capital assets to assess the overall *health* of the District.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities: most of the District's basic services are reported here, including general administration. Local taxes, tuition (from Boonton Township and the Lake Drive sending districts) and state and federal aid finance most of these activities.

- Business-type-activities: the operation of the District's Food Service operation is its only proprietary fund, and is shown on pages 31, 32 and 33.

Reporting the District's Most Significant Funds

Fund Financial Statements

Our analysis of the District's major funds begins on page 18. The fund financial statements begin on page 27 and provide detailed information about the most significant funds-not the District as a whole. Some funds are required to be established by State law. The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds: most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation on page 29.

Proprietary funds: when the District charges customers for the full cost of the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (a component of business type funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for the Unemployment Compensation Trust, Scholarship Funds and Agency Funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 35 and 36. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities as of June 30.

Table 1
Net Position (in Thousands)

	Governmental Activities		Business-type Activites		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 2,449	$ 3,286	$ 138	$ 142	$ 2,587	$ 3,428
Long term receivables					-	-
Capital assets	24,378	24,473	5	7	24,383	24,480
Total assets	26,827	27,759	143	149	26,970	27,908
Deferred outflows of resources	4,107	4,950			4,107	4,950
Long-term debt outstanding	10,394	11,727			10,394	11,727
Aggregate net pension liability	13,294	16,295			13,294	16,295
Other liabilities	530	498	68	79	598	577
Total liabilities	24,218	28,520	68	79	24,286	28,599
Deferred inflows of resources	2,736	87			2,736	87
Net position:						
Net investment in capital assets	14,445	13,324	5	7	14,450	13,331
Restricted	708	1,302			708	1,302
Unrestricted (deficit)	(11,173)	(10,523)	70	63	(11,103)	(10,460)
Total net position	$ 3,980	$ 4,103	$ 75	$ 70	$ 4,055	$ 4,173

Net position of the District's governmental activities decreased by 3.0 percent. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased $650,000. Restricted net position, those restricted mainly for capital projects decreased by $576,000. Both net asset categories benefited from increased economic activity, which resulted in actual revenues exceeding budgeted revenues except for interest on investments. The net investment in capital assets increased by $1,121,000.

Table 2
Changes in Net Position (in thousands)

	Governmental Activities		Business-type Activites		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for Services	1,097	919	668	721	1,765	1,640
Operating Grants and Contributions	15,908	4,814	5	6	15,913	4,820
General revenues:						
Property Taxes	21,193	20,697			21,193	20,697
Tuition	12,748	13,072			12,748	13,072
Federal and State Aid	94	54			94	54
Interest and Investment Earnings	35		1		36	-
Capital Lease Canceled	150				150	-
Other General Revenues	144	190			144	190
Transfer	(39)	(36)	39	36	-	-
Total Revenues:	51,330	39,710	713	763	52,043	40,473
Program expenses including indirect expenses						
Instruction:						
Regular	18,673	14,323			18,673	14,323
Special	10,660	8,092			10,660	8,092
Other instruciton	1,998	1,587			1,998	1,587
Support services:						
Tuition	902	984			902	984
Student and instruction related services	8,358	6,235			8,358	6,235
School administrative services	2,900	2,124			2,900	2,124
General and business administrative services	1,285	1,018			1,285	1,018
Plant operations and maintenance	4,640	3,941			4,640	3,941
Pupil transportation	460	358			460	358
Special schools	1,278	901			1,278	901
SDA Debt Service Assessment	48	48			48	48
Interest on long-term debt	250	272			250	272
Food Services	-	-	708	716	708	716
Total Expenses	51,452	39,883	708	716	52,160	40,599
Increase (Decrease) in Net Position	(122)	(173)	5	47	(117)	(126)

THE DISTRICT'S FUNDS
Governmental Activities
Table 3
Information below compares revenues and expenditures for all governmental fund types for 2017-2018 and 2016-2016.

($000 omitted) Revenues by Source:	2017-2018	2016-2017	% Change
Local Tax Levy	21,344	20,923	2.01%
Tuition Charges	13,694	13,765	-0.52%
Interest Earned to Investments	35	6	483.33%
Miscellaneous	461	532	-13.35%
Total - Local Sources	35,534	35,226	0.87%
State Sources	6,763	4,229	59.92%
Federal Sources	311	292	6.51%
Total Revenues	42,608	39,747	7.20%

($000 omitted) Expenditures by Function:	2017-2018	2016-2017	% Change
Current:			
Regular Instruction	10,382	9,973	4.10%
Special education	5,744	5,675	1.22%
Other instruction	1,157	1,155	0.17%
Support Services and undistributed costs:			
Tuition	902	984	-8.33%
Student and instruction related services	4,787	4,552	5.16%
School administrative services	1,566	1,505	4.05%
General and Business administrative services	817	786	3.94%
Plant operations and maintenance	3,430	3,197	7.29%
Pupil transportation	427	463	-7.78%
Employee Benefits	11,177	8,550	30.73%
Capital Outlay	1,081	290	272.76%
Specials Schools	838	693	20.92%
Debt Service:			
Principal	880	880	0.00%
Interest on long-term debt	258	279	-7.53%
Total Expenditures	43,446	38,982	11.45%

Due to changes in surplus regulations, the board of education does not have large amounts of cash on hand thus decreasing our ability to invest monies for investment income.

Business-type Activities

The District's only Enterprise Fund is its Food Service operation. The basic financial statements for the major funds are included in this report. Because the focus on business-type funds is a cost of service measurement, we have included these funds in Table 4, which demonstrates return on ending assets and return on ending net position.

Table 4

($000 omitted)

	Food Service
Total Assets	149
Net Position	70
Change in Net Position	57
Return on Ending Total Assets	38.26%
Return on Ending Net Position	81.43%

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
Table 5

Capital Assets at Year-end
(Net of Depreciation, in thousands)

	Governmental Activities		Business-type Activites		Totals	
	2018	2017	2018	2017	2018	2017
Land	300	300			300	300
Land Improvements	679	679			679	679
Buildings	36,026	35,910			36,026	35,910
Machinery and Equipment	4,231	4,181	28	28	4,259	4,209
Construction-in-progress	816	-	-	-	816	-
Subtotal	42,052	41,070	28	28	42,080	41,098
Accumulated Depreciation	(17,674)	(16,596)	(23)	(22)	(17,697)	(16,618)
Totals	24,378	24,474	5	6	24,383	24,480

The District's 2018-2019 capital budget anticipates a spending level of $300,000 for capital projects to be funded by the districts operating budget for various equipment and renovations. More detailed information about the District capital assets is presented in Note III:C. to the basic financial statements.

DEBT

At year–end the District had total debt of $27,148,000 outstanding versus $11,148,000 last year – an increase of 143.5% percent – as shown in Table 6.

Outstanding Debt, at year –end (in thousands)
Table 6

	Governmental Activities	
	2018	2017
Serial Bonds	7,775	8,655
Loans	-	-
Capital Leases	2,157	2,493
Temporary Notes	-	-
Authorized but not Issued	17,216	-
	27,148	11,148

An analysis of District Debt is presented in Note IV:B. to the basic financial statements.

BUDGETS

The variances between the originally adopted budget for the year 2017-2018, and the final budget were caused by the treatment of encumbrances that are added to the original budget and additional revenue. In addition, the State pension payments, which are paid by the State on behalf of employees are not budgeted, however they are counted as an expense in the audit.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator, Daniel A. Borgo, Mountain Lakes School District, 400 Boulevard, Mountain Lakes, New Jersey.

BASIC FINANCIAL STATEMENTS

Section A

DISTRICT – WIDE FINANCIAL STATEMENTS

Exhibit A-1

BOARD OF EDUCATION
BOROUGH OF MOUNTAIN LAKES
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 1,702,979.64	$ 51,027.98	$ 1,754,007.62
Receivables, net	663,272.02	-	663,272.02
Interfund receivable		80,131.63	80,131.63
Inventory		7,287.56	7,287.56
Restricted assets:			
Cash and cash equivalents	(816,622.17)		(816,622.17)
Capital reserve account - cash	900,062.58		900,062.58
Capital assets, net (Note III:C.):	24,377,786.15	5,237.16	24,383,023.31
Total Assets	26,827,478.22	143,684.33	26,971,162.55
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	4,106,737.62		4,106,737.62
Total Deferred Outflows of Resources	4,106,737.62		4,106,737.62
LIABILITIES			
Accounts payable		40,983.25	40,983.25
Interfund payable	80,131.63		80,131.63
Payable to state government	54,675.82		54,675.82
Bond interest payable	86,119.79		86,119.79
Unearned revenue	201,816.02	27,413.27	229,229.29
Other	107,118.90		
Long-term liabilities other than pensions(Note IV:B.):			-
Due within one year	1,273,775.44		1,273,775.44
Due beyond one year	9,120,667.61		9,120,667.61
Aggregate net pension liability	13,293,688.00	-	13,293,688.00
Total liabilities	24,217,993.21	68,396.52	24,179,270.83
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	2,736,153.00		2,736,153.00
Total Deferred Inflows of Resources	2,736,153.00		2,736,153.00
NET POSITION			
Net investment in capital assets	14,445,346.76	5,237.16	14,450,583.92
Restricted for:			
Capital projects	(814,018.31)		(814,018.31)
Debt service	(86,119.44)		(86,119.44)
Other purposes	1,608,318.63		1,608,318.63
Unrestricted	(11,173,458.21)	70,050.65	(11,103,407.56)
Total Net Position	$ 3,980,069.63	$ 75,287.81	$ 4,055,357.44

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit A-2

BOARD OF EDUCATION
BOROUGH OF MOUNTAIN LAKES
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
Instruction:							
Regular	$ 18,673,350.33	$ -	$ 5,971,536.98	$ -	$ (12,701,813.35)	$ -	$ (12,701,813.35)
Special education	10,659,809.91		4,096,586.67	#	(6,563,223.24)		(6,563,223.24)
Other instruction	1,997,514.07		549,655.07		(1,447,859.00)		(1,447,859.00)
Support services:							
Tuition	902,498.72		208,490.86		(694,007.86)		(694,007.86)
Student and instruction related services	8,357,945.15		2,603,368.29		(5,754,576.86)		(5,754,576.86)
School administrative services	2,899,647.19		906,059.39		(1,993,587.80)		(1,993,587.80)
General and business administrative services	1,284,884.02		296,598.57		(988,285.45)		(988,285.45)
Plant operations and maintenance	4,640,434.97		830,884.88		(3,809,550.09)		(3,809,550.09)
Pupil transportation	460,155.74		40,554.18		(419,601.56)		(419,601.56)
Special schools	1,278,136.68	945,661.42	305,110.11		(27,365.15)		(27,365.15)
SDA Debt Service Assessment	48,298.00				(48,298.00)		(48,298.00)
Interest on long-term debt	250,107.29	151,186.29	98,921.00		-		-
Total governmental activities	51,452,782.07	1,096,847.71	15,907,784.00		(34,448,170.36)		(34,448,170.36)
Business-type activities:							
Food Service	708,265.79	667,975.99	5,571.45			(34,718.35)	(34,718.35)
Total business-type activities	708,265.79	667,975.99	5,571.45	-	-	(34,718.35)	(34,718.35)
Total primary government	$ 52,161,047.86	$ 1,764,823.70	$ 15,913,355.45	$ -	$ (34,448,170.36)	$ (34,718.35)	$ (34,482,888.71)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					$ 20,320,489.00	$ -	$ 20,320,489.00
Property taxes, levied for debt service principal					872,441.71		872,441.71
Federal and State aid not restricted					93,614.92		93,614.92
Tuition (other than special schools)					12,748,296.30		12,748,296.30
Investment Earnings					34,769.33	738.57	35,507.90
Miscellaneous Income					144,470.25		144,470.25
Capital Lease principal canceled					150,374.32		150,374.32
Transfers					(38,837.00)	38,837.00	-
Total general revenues, special items, extraordinary items and transfers					34,325,618.83	39,575.57	34,365,194.40
Change in Net Position					(122,551.53)	4,857.22	(117,694.31)
Net Position—beginning, as restated					4,102,621.16	70,430.59	4,173,051.75
Net Position—ending					$ 3,980,069.63	$ 75,287.81	$ 4,055,357.44

The accompanying Notes to Financial Statements are an integral part of this statement.

Section B

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

BOARD OF EDUCATION
BOROUGH OF MOUNTAIN LAKES
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 1,576,493.67	$ 126,485.62	$ (816,622.17)	$ 0.35	$ 886,357.47
Receivables from other governments	126,734.73	25,523.30			152,258.03
Tuition receivable	441,975.90				441,975.90
Other receivables	62,025.70	7,012.39			69,038.09
Restricted cash and cash equivalents	900,062.58	-	-	-	900,062.58
Total Assets	$ 3,107,292.58	$ 159,021.31	$ (816,622.17)	$ 0.35	$ 2,449,882.07
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfunds payable	$ 80,131.63	$ -		$ -	$ 80,131.63
Payable to state government		54,675.82			54,675.82
Unearned revenue	97,470.53	104,345.49			201,816.02
Other	107,118.90	-			107,118.90
Total Liabilities	284,721.06	159,021.31			443,742.37
Fund Balances:					
Restricted for:					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	96,099.80				96,099.80
Reserve for Excess Surplus	259,979.94				259,979.94
Capital Reserve Account	900,062.58				900,062.58
Capital Projects			(1,714,080.89)		(1,714,080.89)
Debt Service				0.35	0.35
Assigned to:					
Other Purposes	354,780.37		897,458.72		1,252,239.09
Designated for Subsequent Year's Expenditures	453,071.20				453,071.20
Unassigned	758,577.63		-	-	758,577.63
Total Fund Balances	2,822,571.52	-	(816,622.17)	0.35	2,005,949.70
Total Liabilities and Fund Balances	$ 3,107,292.58	$ 159,021.31	$ (816,622.17)	$ 0.35	

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:	
Adjustment to Debt Service Fund net position for the accrual of interest expense.	(66,119.79)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is $42,052,246.99 and the accumulated depreciation is $17,674,460.84.	24,377,786.15
Pension liabilities net of deferred outflows and inflows of resources	(11,923,103.38)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note IV:B.)	(10,394,443.05)
Net position of governmental activities	$ 3,980,069.63

The accompanying Notes to Financial Statements are an integral part of this statement.

BOARD OF EDUCATION
BOROUGH OF MOUNTAIN LAKES
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources:					
Local tax levy	$ 20,320,489.00	$ -	$ -	$ 1,023,628.00	$ 21,344,117.00
Tuition charges	13,693,957.72				13,693,957.72
Interest earned on investments	24,338.53				24,338.53
Interest earned on Capital Reserve Funds	10,430.80				10,430.80
Miscellaneous	144,470.25	316,312.05		-	460,782.30
Total - Local Sources	34,193,686.30	316,312.05	-	1,023,628.00	35,533,626.35
State sources	6,324,043.89	340,357.84		98,921.00	6,763,322.73
Federal sources	-	310,968.14	-	-	310,968.14
Total Revenues	40,517,730.19	967,638.03	-	1,122,549.00	42,607,917.22
EXPENDITURES					
Current:					
Regular instruction	9,791,116.42	590,417.73			10,381,534.15
Special education instruction	5,500,125.12	243,660.00			5,743,785.12
Other instruction	1,157,146.40				1,157,146.40
Support services and undistributed costs:					
Tuition	902,498.72				902,498.72
Student and instruction related services	4,653,557.35	133,560.30			4,787,117.65
School administrative services	1,565,857.14				1,565,857.14
General and business administrative services	816,676.96				816,676.96
Plant operations and maintenance	3,430,281.11				3,430,281.11
Pupil transportation	426,966.80				426,966.80
Unallocated benefits	11,177,058.24				11,177,058.24
Special schools	838,318.64				838,318.64
Capital outlay	264,764.51		816,622.17		1,081,386.68
Debt service:					
Principal				880,000.00	880,000.00
Interest and other charges	-	-	-	257,825.00	257,825.00
Total Expenditures	40,524,367.41	967,638.03	816,622.17	1,137,825.00	43,446,452.61
Excess (Deficiency) of revenues over expenditures	(6,637.22)	-	(816,622.17)	(15,276.00)	(838,535.39)
OTHER FINANCING SOURCES AND (USES)					
Transfers (out)	(38,837.00)				(38,837.00)
Total Other Financing Sources and (Uses)	(38,837.00)	-	-	-	(38,837.00)
Net change in fund balances	(45,474.22)	-	(816,622.17)	(15,276.00)	(877,372.39)
Fund Balance—July 1	2,868,045.74	-	-	15,276.35	2,883,322.09
Fund Balance—June 30	$ 2,822,571.52	$ -	$ (816,622.17)	$ 0.35	$ 2,005,949.70

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit B-3

BOARD OF EDUCATION
BOROUGH OF MOUNTAIN LAKES
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2018

Total net change in fund balances - governmental funds (from B-2)			$ (877,372.39)
Amounts reported for governmental activities in the statement of activities (A-2) are different because:			
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. The difference in accrued interest is an addition in the reconciliation. (+)			
	Interest paid	$ 257,825.00	
	Interest accrued	(250,107.29)	
			7,717.71
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 capital outlays exceeded depreciation in the period.			
	Depreciation expense	(1,078,054.60)	
	Capital outlays (exclusive of capital lease principal payments and SDA Debt Service Assessment)	983,180.08	
			(94,874.52)
Adjustment to Capital Assets in accordance with physical appraisal and dispositions			-
In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (-)			-
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations and unused sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition in the reconciliation (+).			117,338.50
Governmental funds report district pension contributions as expenditures. In the statement of activites, however, the cost of pension benefits earned net of employee contributions is reported as pension expense.			
	District pension contributions - PERS	536,504.62	
	Cost of benefits earned net of employees contributions	(1,027,612.00)	
			(491,107.38)
Payment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.			
	Debt principal		880,000.00
	Capital lease principal		185,372.23
	Capital lease principal canceled		150,374.32
Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net assets.			
	Proceeds of long-term debt (Refunding Bonds)		
	Capital lease proceeds		
Revenues in the statement of activities which do not provide current financial resources are not reported as revenues in the funds. (+)			-
Change in net position of governmental activities			$ (122,551.53)

The accompanying Notes to Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

Exhibit B-4

BOARD OF EDUCATION
BOROUGH OF MOUNTAIN LAKES
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds	
	Food Service	Totals
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 51,027.98	$ 51,027.98
Interfunds receivable	80,131.63	80,131.63
Inventories	7,287.56	7,287.56
Total Current Assets	138,447.17	138,447.17
Noncurrent assets:		
Furniture, machinery and equipment	28,469.30	28,469.30
Less accumulated depreciation	(23,232.14)	(23,232.14)
Total Noncurrent Assets	5,237.16	5,237.16
Total Assets	143,684.33	143,684.33
LIABILITIES		
Current Liabilities:		
Accounts payable	40,983.25	40,983.25
Prepaid Sales	27,413.27	27,413.27
Total Current Liabilities	68,396.52	68,396.52
NET ASSETS		
Net investment in capital assets	5,237.16	5,237.16
Unrestricted	70,050.65	70,050.65
Total Net Position	$ 75,287.81	$ 75,287.81

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit B-5

BOARD OF EDUCATION
BOROUGH OF MOUNTAIN LAKES
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds	
	Food Service	Totals
Operating Revenues:		
Charges for services:		
Daily sales - reimbursable programs	$ 841.30	$ 841.30
Daily sales - non-reimbursable programs	620,870.88	620,870.88
Special functions	46,263.81	46,263.81
Total Operating Revenues	667,975.99	667,975.99
Operating Expenses:		
Cost of sales	291,671.10	291,671.10
Salaries	264,567.80	264,567.80
Employee benefits	67,125.45	67,125.45
Management Fee	29,568.40	29,568.40
General supplies	53,754.19	53,754.19
Depreciation	1,578.85	1,578.85
Total Operating Expenses	708,265.79	708,265.79
Operating Income (Loss)	(40,289.80)	(40,289.80)
Nonoperating Revenues (Expenses):		
Federal sources:		
National school breakfast program	5,571.45	5,571.45
Interest and investment revenue	738.57	738.57
Total Nonoperating Revenues (Expenses)	6,310.02	6,310.02
Income (loss) before contributions and transfers	(33,979.78)	(33,979.78)
Transfers in (out)	38,837.00	38,837.00
Change in net position	4,857.22	4,857.22
Total Net Position—Beginning	70,430.59	70,430.59
Total Net Position—Ending	$ 75,287.81	$ 75,287.81

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit B-6

BOARD OF EDUCATION
BOROUGH OF MOUNTAIN LAKES
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds	
	Food Service	Totals
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 669,117.08	$ 669,117.08
Payments to employees	(264,587.80)	(264,587.80)
Payments for employee benefits	(67,125.45)	(67,125.45)
Payments to suppliers	(392,357.16)	(392,357.16)
Net cash provided by (used for) operating activities	(54,933.33)	(54,933.33)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	-	-
Federal Sources	5,571.45	5,571.45
Operating subsidies and transfers to other funds	38,837.00	38,837.00
Net cash provided by (used for) non-capital financing activities	44,408.45	44,408.45
Net increase (decrease) in cash and cash equivalents	(9,786.31)	(9,786.31)
Balances—beginning of year	60,814.29	60,814.29
Balances—end of year	$ 51,027.98	$ 51,027.98
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$ (40,289.80)	$ (40,289.80)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation and net amortization	1,578.85	1,578.85
(Increase) decrease in accounts receivable, net	(5,571.45)	(5,571.45)
(Increase) decrease in inventories	(166.07)	(166.07)
Increase (decrease) in accounts payable	(17,197.40)	(17,197.40)
Increase (decrease) in prepaid sales	8,712.54	8,712.54
Total adjustments	(14,643.53)	(14,643.53)
Net cash provided by (used for) operating activities	$ (54,933.33)	$ (54,933.33)

The accompanying Notes to Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

BOARD OF EDUCATION
BOROUGH OF MOUNTAIN LAKES
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Unemployment Compensation Trust	Private Purpose Scholarship Fund	Agency Fund
ASSETS			
Cash and cash equivalents	$ 318,131.87	$ 94,373.50	$ 394,227.50
Total Assets	$ 318,131.87	$ 94,373.50	$ 394,227.50
LIABILITIES			
Payable to student groups			$ 337,979.05
Payroll deductions and withholdings			46,136.43
IRS Section 125 Plan			10,112.02
Total Liabilities			$ 394,227.50
NET POSITION			
Held in trust for unemployment claims and other purposes	$ 318,131.87		
Reserved for scholarships		$ 94,373.50	

The accompanying Notes to Financial Statements are an integral part of this statement.

Exhibit B-8

BOARD OF EDUCATION
BOROUGH OF MOUNTAIN LAKES
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Unemployment Compensation Trust	Private Purpose Scholarship Fund
ADDITIONS		
Contributions:		
Plan member	$ 26,152.93	$ -
Board Contribution	-	
Other	-	4,532.00
Total Contributions	26,152.93	4,532.00
Investment earnings:		
Interest	3,131.20	47.92
Net investment earnings	3,131.20	47.92
Total Additions	29,284.13	4,579.92
DEDUCTIONS		
Unemployment claims	31,585.36	
Scholarships awarded	-	13,477.08
Total Deductions	31,585.36	13,477.08
Change in Net Possition	(2,301.23)	(8,897.16)
Net Position—beginning	320,433.10	103,270.66
Net Position—ending	$ 318,131.87	$ 94,373.50

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

Note I: Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Board of Education (Board) of the Borough of Mountain Lakes School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the District are discussed below.

B. Reporting Entity

The Borough of Mountain Lakes School District 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.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include one elementary, one junior and one senior high schools as well as a school for the hearing impaired located in Mountain Lakes. 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.

C. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's general and special revenue activities are classified as governmental activities. The District's food service program is classified as a business-type activity.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position are reported in three parts-invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

Note I: Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statements- Government-Wide Statements

The government-wide Statement of Activities reports both the gross and net costs of each of the District's functions and business-type activities. The functions are also supported by general government revenues (property taxes, tuition, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (regular instruction, vocational programs, student and instruction related services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity are normally covered by general revenue (property taxes, tuition, interest income, etc.).

a. The District allocates indirect costs such as on-behalf TPAF Pension Contributions, on-behalf TPAF and PERS and OPEB Contributions and Reimbursed TPAF Social Security Contributions.

The government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. Fiduciary funds are excluded from the government-wide financial statements.

D. Basic Financial Statements- Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The State of New Jersey Department of Education has mandated that all New Jersey School districts must report all governmental funds as major, regardless of the fund meeting the GASB definition of a major fund. However, the GASB criteria are applied to proprietary funds.

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

The following fund types are used by the District:

Governmental Fund Types

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

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

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

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

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

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

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

Permanent Fund – A permanent fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal.

Note I: Summary of Significant Accounting Policies (Continued)

D. Basic Financial Statements- Fund Financial Statements (Continued)

Fund Balances – Governmental Funds

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

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws or other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

The details of the fund balances are included in the Governmental Funds Balance Sheet. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is uncured for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds as needed.

Proprietary Fund Type

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

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

Note I: Summary of Significant Accounting Policies (Continued)

D: Basic Financial Statements- Fund Financial Statements (Continued)

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

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

Food Service Fund:	
Equipment	12 Years
Light Trucks and Vehicle	4 Years
Heavy Trucks and Vehicle	6 Years

Fiduciary Fund Types

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position and are reported using accounting principles similar to proprietary funds.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (Unemployment Compensation, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

E. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement of focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when incurred.

Note I: Summary of Significant Accounting Policies (Continued)

E. Basis of Accounting (Continued)

2. Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

3. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are susceptible to accrual and under New Jersey State Statutes a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non operating revenue. In respect to grant revenues, the provider recognizes liabilities and expenses and recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient. Program revenues, including tuition revenue, are reported as reductions to expenses in the Statement of Activities.

4. Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period of purchase.

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control

The budgets are submitted to the county office for approval and, as long as the District budget is within State mandated CAPs, there is no public vote on the budget. If the budget exceeds State mandated CAPS, the voters have an opportunity to approve or reject the budget at the regular election held in November.

Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:23-2.2(f). All budget amendments must be approved by School Board resolution. Appropriation of additional revenues in the amount of $591,968.42 and prior year encumbrances in the amount of $703,999.43 were made during the year ended June 30, 2018. The Board of Education approved the following material budgetary appropriation transfers during the school year:

Account Name	Amount
Regular Programs – Instruction	
Grades 6-8 – Salaries of Teachers	$(48,721.45)
Grades 9-12 – Salaries of Teachers	109,819.58
Regular Programs – Undistributed Instruction	
Purchased Technical Services	120,297.50
Other Purchased Services (400-500 series)	(86,033.35)
Auditory Impairments:	
Salaries of Teachers	130,347.19
Resource Room/Resource Center:	
Salaries of Teachers	(72,459.90)
Home Instruction:	
Salaries of Teachers	81,800.85
Basic Skills/Remedial – Instruction	
Salaries of Teachers	(48,899.75)
Undistributed Expenditures – Instruction	
Tuition to Private Schools for the Disabled – Within State	(207,974.63)
Undistributed Expend. – Health Services	
Purchased Professional and Technical Services	107,215.00
Undistributed Expend. – Speech, OT,PT & Related Services	
Salaries of Other Professional Staff	(122,224.95)
Undist. Expend. – Other Supp. Serv. Students – Extra Serv.	
Salaries of Other Professional Staff	108,988.36
Undist. Expend. – Edu. Media Serv./Sch. Library	
Salaries of Technology Coordinators	(60,242.39)
Undist. Expend. – Supp. Serv. – General Admin.	
Legal Services	54,238.65
Undist. Expend. – Allowable Maint. For School Facilities	
Cleaning, Repair and Maintenance Services	192,882.28

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (Continued)

Undist Expend. – Oth. Oper. & Maint. of Plant	
Salaries	(46,423.20)
Cleaning, Repair and Maintenance Services	273,496.65
Insurance	(49,364.25)
Undist. Expend. – Student Transportation Serv.	
Contracted Serv. (Other than Bet. Home and School) - Vendors	42,933.99
Contracted Serv (Special Education Stud.) – Joint Agreements	(59,284.00)
UNALLOCATED BENEFITS	
Workmen's Compensation	(86,899.76)
Health Benefits	(345,805.94)
CAPITAL OUTLAY	
Equipment	
Undistributed Expenditures:	
Undistributed Expenditures – Operation of Plant Services	49,647.45
Facilities Acquisition and Construction Services	
Construction Services	(99,556.05)
Lease Purchase Agreements – Principal	49,908.60
Other Special Schools - Instruction	
Salaries of Teachers	220,198.62
Other Special Schools – Support Services	
Supplies and Materials	70,000.00

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 legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

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

Note I: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control (Continued)

The reconciliation of the general and special revenue funds from the budgetary basis of accounting to the GAAP basis of accounting is as follows.

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	$ 40,514,947.19	$ 950,943.56
Difference - budget to GAAP:		
The last two State aid payments are recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense in accordance with GASB 33.	2,783.00	-
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	16,694.47
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	$ 40,517,730.19	$ 967,638.03
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	$ 40,524,367.41	$ 950,943.56
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	16,694.47
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 40,524,367.41	$ 967,638.03

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity

1. Deposits and Investments

Deposits are cash and cash equivalents including petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Other than Certificates of Deposit, deposits with maturities of greater than three months are considered to be Investments. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

2. Short – term Interfund Receivables/Payables

Short – term interfund receivables/payables represents 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.

3. Inventories

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

Enterprise fund inventories are valued at cost, which approximates market, using the first–in–first–out (FIFO) method.

4. Capital Assets

Capital assets purchased or acquired with an original cost of $2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on the following assets is provided on the straight – line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and Equipment	5-10 years
Land Improvements	10-20 years
Other Infrastructure	10-50 years

Land and Construction in Progress are not depreciated.

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

4. Capital Assets (Continued)

GASB No. 34 requires the District to report and depreciate new infrastructure assets effective with the beginning of the current year. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006.

5. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations. (See Note XIII)

6. Unearned Revenue

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

7. Long – term Obligations

Long – term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long – term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government – wide presentations.

8. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

Note I: Summary of Significant Accounting Policies (Continued)

G. Assets, Liabilities and Fund Equity (Continued)

9. Net Position

Net Position represents the difference between assets and liabilities in the District-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reports, amounts and disclosures. Accordingly, actual results could differ from those estimates.

11 Allocation of Costs

In the government-wide statement of activities, the District has allocated unallocated benefits to various programs based on the original budgetary expenditures by program.

H. Recent Accounting Pronouncements Not Yet Effective

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "Leases". This statement, which is effective for fiscal periods beginning after December 15, 2019, could have significant effects on the entity's financial reporting and the provisions of this statement could require significant modifications to disclosure requirements.

Note II: Reconciliation of Government Wide and Fund Financial Statements

Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Position

"Total fund balances" of the District's governmental funds in B-1 differs from "net position" of governmental activities reported in the statement of net position in A-1. This difference primarily results from the long - term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

Balance Sheet/Statement of Net Position

Assets	Total Governmental Funds	Long - term Assets Liabilities (1)	Reclassifications and Eliminations	Statement of Net Position Totals
Cash and cash equivalents	$ 886,357.47	$ -	$ 816,622.17	$ 1,702,979.64
Receivables, net			663,272.02	663,272.02
Receivables from Other Governments	152,258.03		(152,258.03)	-
Tuition Receivable	441,975.90		(441,975.90)	-
Other Receivables	69,038.09		(69,038.09)	-
Restricted assets:				
Cash and cash equivalents			(816,622.17)	(816,622.17)
Capital Reserve Account - cash	900,062.58			900,062.58
Capital Assets, net	-	24,377,786.15	-	24,377,786.15
Total Assets	2,449,692.07	24,377,786.15	-	26,827,478.22
Deferred Outflows of Resources				
Deferred outflows related to pensions		4,106,737.62		4,106,737.62
Total Deferred Outflows of Resources	-	4,106,737.62	-	4,106,737.62
Total Assets and Deferred Outflows of Resources	$ 2,449,692.07	$ 28,484,523.77	$ -	$ 30,934,215.84
Liabilities				
Interfunds Payable	$ 80,131.63	$ -	$ -	$ 80,131.63
Payable to State Government	54,675.82			54,675.82
Bond Interest Payable			86,119.79	86,119.79
Unearned Revenue	201,816.02			201,816.02
Other	107,118.90			107,118.90
Noncurrent Liabilities	-	23,226,127.39	462,003.66	23,688,131.05
Total Liabilities	443,742.37	23,226,127.39	548,123.45	24,217,993.21
Deferred Inflows of Resources				
Deferred inflows related to pensions		2,736,153.00		2,736,153.00
Total Deferred Inflows of Resources	-	2,736,153.00	-	2,736,153.00
Total Liabilities and Deferred Inflows of Resources	443,742.37	25,962,280.39	548,123.45	26,954,146.21
Fund Balances/Net Position				
Net Position				
Net investment in capital assets		14,445,346.76		14,445,346.76
Restricted for:				
Capital projects	(814,018.31)			(814,018.31)
Debt Service	0.35		(86,119.79)	(86,119.44)
Other purposes	1,608,318.83			1,608,318.83
Unrestricted	1,211,648.83	(11,923,103.38)	(462,003.66)	(11,173,458.21)
Total Fund Balances/Net Position	2,005,949.70	2,522,243.38	(548,123.45)	3,980,069.63
Total Liabilities, Deferred Inflows of Resources and Fund Balances/Net Position	$ 2,449,692.07	$ 25,748,370.77	$ -	$ 30,934,215.84

Note II: Reconciliation of Government Wide and Fund Financial Statements (Continued)

Explanation of Differences between Governmental Funds Balance Sheet and the Statement of Net Position (Continued)

1. When Capital Assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the District as a whole.

Cost of capital assets	$	42,052,246.99
Accumulated depreciation		(17,674,460.84)
	$	24,377,786.15

Long - term liabilities applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long - term are reported in the statement of net position.

Net PERS Pension Liability	$	13,293,688.00
Deferred outflows related to pensions		(4,106,737.62)
Deferred inflows related to pensions		2,736,153.00
	$	11,923,103.38

Serial Bonds	$	7,775,000.00
Capital Leases		2,157,439.39
Compensated Absences		462,003.66
	$	10,394,443.05

Adjustment to Debt Service Fund net position for the accrual of interest expense.	$	(86,119.79)

Note II: Reconciliation of Government Wide and Fund Financial Statements (Continued)

Explanation of Differences between Governmental Funds Operating Statement of Activities

The "net change in fund balances" for governmental funds in B-2 differs from the "change in net position" for governmental activities reported in the statement of activities in A-2. The differences arise primarily for the long - term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Statement of Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities

Revenues and Other Sources	Total Governmental Funds	Long - term Revenue, Expenses (2)	Capital Related Items (3)	Long - term Debt Transactions (4)	Reclassifications and Eliminations (5)	Statement of Activities Totals
Local Tax Levy	$ 21,344,117.00	$ -	$ -	$ -	$ -	$ 21,344,117.00
Tuition Charges	13,693,957.72					13,693,957.72
Interest Earned on Investments	34,769.33					34,769.33
Miscellaneous	460,782.30					460,782.30
State Sources	6,763,322.73				8,610,776.00	15,374,098.73
Federal Sources	310,968.14	-	-	-		310,968.14
Total	$ 42,607,917.22	$ -	$ -	$ -	$ 8,610,776.00	$ 51,218,693.22
Expenditures						
Current:						
Regular instruction	$ 10,381,534.15	$ -	$ 591,407.57	$ 303,666.43	$ 7,396,742.18	$ 18,673,350.33
Special education	5,743,785.12		179,054.87	239,455.21	4,497,514.71	10,659,809.91
Other instruction	1,157,146.40		48,036.64	40,309.60	752,021.43	1,997,514.07
Support Services and undistributed costs:						
Tuition	902,498.72					902,498.72
Student and instruction related services	4,787,117.65		8,575.00	175,743.61	3,386,508.89	8,357,945.15
School administrative services	1,565,857.14		34,697.31	59,449.68	1,239,643.06	2,899,647.19
General and business administrative services	816,676.96		40,658.46	21,751.40	405,797.20	1,284,884.02
Plant operations and maintenance	3,430,281.11		153,886.51	(88,524.22)	1,144,791.57	4,640,434.97
Pupil transportation	426,966.80		21,738.24	582.55	10,868.15	460,155.74
Unallocated Benefits	11,177,058.24				(11,177,058.24)	-
Special Schools	838,318.64			22,375.61	417,442.43	1,278,136.68
Capital Outlay	1,081,386.68		(983,180.08)	(49,908.60)		48,298.00
Debt Service:						
Principal	880,000.00			(880,000.00)		-
Interest	257,825.00	(7,717.71)	-	-	-	250,107.29
Total	43,444,452.61	(7,717.71)	94,874.52	(155,098.73)	8,074,271.38	51,452,782.07
Other Financing Uses/Changes in Net Assets:						
Net transfers to(from) other funds	(38,837.00)					(38,837.00)
Capital lease principal canceled	-			150,374.32		150,374.32
Total	(38,837.00)	-	-	150,374.32	-	111,537.32
Net Change for the Year	$ (877,372.39)	$ 7,717.71	$ (94,874.52)	$ 305,473.05	$ 536,504.62	$ (122,551.53)

2. 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. The accrued interest is an addition to the reconciliations. (+)		$ 7,717.71
3. 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 which capital outlays exceeded depreciation in the period.		
	Depreciation expense	$ (1,078,054.60)
	Capital outlays (exclusive of capital lease principal payments and SDA Debt Service Assessment)	983,180.08
		$ (94,874.52)
3. Adjustment to Capital Assets in accordance with physical appraisal and dispositions		$ -
3. In the statement of activities, only the gain on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from a sale increase financial resources. Thus, the change in net assets will differ from the change in fund balance by the cost of the asset removed. (-)		$ -
4. In the statement of activities, certain operating expenses, e.g. compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the differences is an addition to the reconciliation (+).		$ 117,338.50
Governmental funds report district pension contributions as expenditures. In the statement of activities, however, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
	Cost of benefits earned net of employee contributions	(1,027,612.00)
Payment of long-term liability principal is an expenditure in the government funds, but the payment reduces long - term liabilities in the statement of net assets and is not reported in the statement of activities.		-
	Debt principal	880,000.00
	Capital lease principal	185,372.23
	Capital lease principal canceled	150,374.32
		$ 305,473.05
4. Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities, issuing debt increases long - term liabilities in the statement of net assets.		
	Proceeds of long - term debt	$ -
	Capital lease proceeds	-
		$ -

5. Allocate Benefits expenditures and eliminate PERS contribution ($536,504.62)

5. GASB 68 and 75 adjustments: Replace OPEB on-behalf payments and revenues with Pension and OPEB Expenses and Revenues ($8,610,776.00)

Note III: Detailed Disclosure Regarding Assets and Revenues

A. Deposits and Investments

Deposits

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund, or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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 public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection 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 at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

At June 30, 2018 the Borough of Mountain Lakes School District's cash and cash equivalent's amounted to $3,413,122.17. Of this amount, $250,000.00 was covered by federal depository insurance (F.D.I.C.) and $3,163,122.17 was covered by a collateral pool maintained by the banks as required by GUDPA.

At June 30, 2018 the Borough of Mountain Lakes School District's had no participation in the State of New Jersey Cash Management Fund.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires the disclosure of bank deposits that are subject to custodial credit risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Borough of Mountain Lakes School District will not be able to recover deposits or will not be able to recover collateral securities that may be in the possession of an outside party.

As of June 30, 2018, none of the Borough of Mountain Lakes School District's cash and cash equivalents was exposed to custodial credit risk.

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

A. Deposits and Investments (Continued)

Investments

New Jersey statutes (N.J.S.A. 18A:20-37) permit the Borough of Mountain Lakes School District to purchase the following types of securities:

a. When authorized by resolution adopted by a majority vote of all its members the board of education of any school district may use moneys which may be in hand for the purchase of the following types of securities which, if suitable for registry, may be registered in the name of the school district;

(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 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, approved by the Division of Investment of the Department of the Treasury for investment by school district;
(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
(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;
(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 for which a master repurchase agreement providing for the custody and security of collateral is executed.

The Borough of Mountain Lakes School District had no investments as described in Note I:G.1 at June 30, 2018.

B. Interfund Receivables and Payables

As of June 30, 2018 interfund receivables and payables resulting from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund		$ 80,131.63
Enterprise Fund	$ 80,131.63	

Note III: Detailed Disclosure Regarding Assets and Revenues (Continued)

C. Capital Assets

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

	Beginning Balance	Additions	Adjustments	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 300,000.00	$ -	$ -	$ 300,000.00
Construction in Progress	-	816,622.17	-	816,622.17
Total Capital assets not being depreciated	300,000.00	816,622.17	-	1,116,622.17
Land Improvements	678,427.40			678,427.40
Buildings and Improvements	35,909,537.38	116,910.46		36,026,447.84
Machinery and Equipment	4,181,102.13	49,647.45	-	4,230,749.58
Totals at historical cost	40,769,066.91	166,557.91	-	40,935,624.82
Less accumulated depreciation for:				
Land Improvements	(719,575.29)	(30,305.65)		(749,880.94)
Buildings and Improvements	(10,547,458.21)	(660,337.69)		(11,207,795.90)
Machinery and Equipment	(5,329,372.74)	(387,411.26)	-	(5,716,784.00)
Total accumulated depreciation	(16,596,406.24)	(1,078,054.60) (1)	-	(17,674,460.84)
Net capital assets being depreciated	24,172,660.67	(911,496.69)	-	23,261,163.98
Governmental activities capital assets, net	$ 24,472,660.67	$ (94,874.52)	$ -	$ 24,377,786.15
Business - type activities:				
Equipment	$ 28,469.30	$ -	$ -	$ 28,469.30
Less accumulated depreciation	(21,653.29)	(1,578.85)	-	(23,232.14)
Business - type activities capital assets, net	$ 6,816.01	$ (1,578.85)	$ -	$ 5,237.16

(1) Depreciation expense was charged to governmental functions as follows:

Instruction	$ 591,407.57
Special Education	179,054.87
Other Instruction (Athletic)	48,036.64
Student and Instruction Related Services	8,575.00
School Administrative Services	34,697.31
General and Business Administrative Services	40,658.46
Plant Operations and Maintenance	153,886.51
Pupil Transportation	21,738.24
	$ 1,078,054.60

Note IV: Detailed Disclosures Regarding Liabilities and Expenses/Expenditures

A. Operating Leases

The District has commitments to lease copying and computer equipment and mailing systems under operating leases totaling $397,015.80 which expire in 2022. Total operating lease payments made during the year ended June 30, 2018 were $124,403.16. Future minimum lease payments are as follows:

Year Ended	Amount
June 30, 2019	$ 79,403.16
June 30, 2020	79,403.16
June 30, 2021	79,403.16
June 30, 2022	42,494.59
Total future minimum lease payments	$ 280,704.07

B. Long - Term Liabilities

Long - Term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Issued or Accruals	Paid		Ending Balance	Amounts Due Within One Year
Governmental activities:						
Long - Term debt:						
Serial Bonds	$ 8,655,000.00	$ -	$ (880,000.00)		$ 7,775,000.00	$ 915,000.00
Total debt payable	8,655,000.00	-	(880,000.00)	(1)	7,775,000.00	915,000.00
Other liabilities:						
Compensated absences	579,342.16	(37,281.00)	(80,057.50)		462,003.66	40,000.00
Capital leases	2,493,185.94	(150,374.32)	(185,372.23)		2,157,439.39	318,775.44
Total other liabilities	3,072,528.10	(187,655.32)	(265,429.73)	(2)	2,619,443.05	358,775.44
Governmental activities long - term liabilities	$ 11,727,528.10	$ (187,655.32)	$ (1,145,429.73)		$ 10,394,443.05	$ 1,273,775.44

(1) Paid by debt service fund
(2) Paid by general fund

Note IV: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

B. Long – Term Liabilities (Continued)

1. 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.

Serial Bonds outstanding as of June 30, 2018 consisted of the following:

Description	Interest Rate	Due Date	Maturity Date	Amount Issued	Amount Outstanding
Refunding – 03/19/12	Multiple	9/15	2029	$7,600,000.00	$ 5,590,000.00
Refunding – 10/21/15	Multiple	1/15	2023	2,975,000.00	2,185,000.00
					$7,775,000.00

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

Year ending June 30,	Principal	Interest	Total
2019	$915,000.00	$233,125.00	$1,148,125.00
2020	915,000.00	210,878.50	1,125,787.50
2021	955,000.00	184,137.50	1,139,137.50
2022	965,000.00	152,856.25	1,117,856.25
2023	985,000.00	114,587.50	1,099,587.50
2024	500,000.00	74,862.50	574,862.50
2025	510,000.00	63,181.25	573,181.25
2026	500,000.00	50,875.00	550,875.00
2027	515,000.00	36,900.00	551,900.00
2028	505,000.00	21,600.00	526,600.00
2029	510,000.00	7,012.50	517,012.50
	$7,775,000.00	$ 1,149,925.00	$8,924,925.00

Note IV: Detailed Disclosure Regarding Liabilities and Expenses/Expenditures (Continued)

C. Long – Term Liabilities (Continued)

2. Temporary Notes

There were no Temporary Notes outstanding as of June 30, 2018.

3. Bonds Authorized But Not Issued

There were no authorized but not issued bonds as of June 30, 2018.

4. Capital Leases Payable

The District is leasing energy conservation measures (ESIP) and technology equipment totaling $2,799,543.00 under capital leases. All capital leases are for terms of five to seven years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2018.

Year		Amount
2019	$	369,328.34
2020		170,347.34
2021		175,178.02
2022		155,685.05
2023		160,376.09
2024		165,179.14
2025		170,098.63
2026		175,138.89
2027		180,298.38
2028		185,583.49
2029		190,998.66
2030		196,542.34
2031		193,720.41
Total minimum lease payments	$	2,488,474.78
Less: Amount representing interest		331,035.39
Present value of net minimum Lease payments	$	2,157,439.39

Note V: Detailed Disclosure Regarding Fund Equity

D. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L.2004, C7.73 (S1701), the designation for Reserved Fund Balance—Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund balance at fiscal year of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2018 is $356,079.74. The reserved fund balance of $96,099.80 will be appropriated in the fiscal year 2018 -2019 and $259,979.94 will be appropriated in the fiscal year 2019-2020.

E. Capital Reserve Account

During fiscal year 1992-1993 the Board passed a resolution for the establishment of a capital reserve account. The 1992-1993 certified budget included an increase in the capital reserve account of $60,000.00 comprised of a Board approved transfer from excess unreserved fund balance 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 department, 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. 6A: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.

Note V: Detailed Disclosure Regarding Fund Equity (Continued)

B. Capital Reserve Account (Continued)

A summary of the account's transactions is as follows:

1992-1993	Budget (described above)	$ 60,000.00
1998-1999	Budget (Unreserved Fund Balance)	600,000.00
1998-1999	Investment Income	24,000.00
1999-2000	Expenditures	(400,000.00)
1999-2000	Investment Income	15,620.00
2000-2001	Expenditures	(250,000.00)
2000-2001	Fund Balance Transferred	100.00
2000-2001	Investment Income	2,000.00
2001-2002	Budget (Tax Levy)	156,180.00
2001-2002	Investment Income	4,300.00
2002-2003	Investment Income	3,000.00
2002-2003	Expenditures	(20,210.00)
2003-2004	Investment Income	2,346.78
2003-2004	Expenditures	(38,538.00)
2004-2005	Investment Income	13,008.00
2004-2005	Expenditures	(100,000.00)
2005-2006	Expenditures	(35,157.53)
2005-2006	Investment Income	1,608.26
2006-2007	Investment Income	1,912.88
2007-2008	Investment Income	602.56
2007-2008	Budget (Unreserved Fund Balance)	350,000.00
2008-2009	Resolution (Unreserved Fund Balance)	525,000.00
2008-2009	Investment Income	252.95
2009-2010	Expenditures	(225,000.00)
2010-2011	Resolution (Unreserved Fund Balance)	850,000.00
2010-2011	Expenditures	(477,231.47)
2011-2012	Investment Income	235.81
2012-2013	Transferred from Capital Projects Fund	136,171.25
2012-2013	Resolution (Unreserved Fund Balance)	64,000.00
2012-2013	Expenditures	(427,860.00)
2013-2014	Resolution (Unreserved Fund Balance)	150,000.00
2013-2014	Expenditures	(427,000.00)
2014-2015	Resolution (Unreserved Fund Balance)	200,000.00
2014-2015	Investment Income	3,912.01
2014-2015	Expenditures	(399,950.00)
2015-2016	Resolution (Unreserved Fund Balance)	206,048.60
2015-2016	Expenditures	(250,000.00)
2016-2017	Resolution (Unreserved Fund Balance)	460,000.00
2016-2017	Investment Income	279.68
2016-2017	Expenditures	(200,000.00)
2017-2018	Resolution (Unreserved Fund Balance)	510,000.00
2017-2018	Investment Income	10,430.80
2017-2018	Expenditures	(200,000.00)
Balance June 30, 2018		$900,062.58

Note V: Detailed Disclosure Regarding Fund Equity (Continued)

B. Capital Reserve Account (Continued)

The June 30, 2018 LRFP balance of local support costs of uncompleted capital projects at June 30, 2017 is $1,000,000.00. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

Note VI: Pension Plans

Description of Systems

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

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not a member of another State-administered retirement system.

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

The following represents the membership tiers for PERS:

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

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

Note VI: Pension Plans (Continued)

The Teachers' Pension and Annuity Fund (TPAF) was established in 1955, under the provisions of N.J.S.A. 18:66, to provide coverage including post-retirement health care to substantially all full-time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 for post-retirement health care coverage.

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

The following represents the membership tiers for TPAF:

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

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

The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15C-1 et seq..). The DCRP is a cost sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq..

According to the state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement systems terminate. The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits issues a publicly available financial report that includes the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey Division of Pensions and Benefits website at www.state.nj.us/treasury/pensions.

Note VI: Pension Plans (Continued)

Contribution Requirements

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the employer. The employer's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2016, the employer's pension contribution was less than the actuarial determined amount.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2016, the State's pension contribution was less than the actuarial determined amount.

The District's total payroll for the year ended June 30, 2018 was $25,103,527.22 and covered payroll was $17,987,261.00 for TPAF, $3,609,667.00 for PERS and $592,344.55 for DCRP. Contributions to the TPAF, PERS and the DCRP for the last three years made by the employees, Borough of Mountain Lakes and the State were as follows:

		TPAF	Percent of Covered Payroll	PERS	Percent of Covered Payroll	DCRP	Percent of Covered Payroll
Employees	6/30/16	$1,225,978.86	7.18 %	$270,451.59	7.19 %	$15,756.62	5.49 %
	6/30/17	1,286,744.74	7.30 %	269,066.63	7.30 %	19,507.63	5.50 %
	6/30/18	1,340,797.55	7.45 %	268,327.62	7.43 %	32,578.95	5.50 %
District	6/30/16	N/A	N/A %	477,365.00	12.70 %	$8,594.47	2.99 %
	6/30/17	N/A	N/A %	491,396.00	13.33 %	10,640.91	3.00 %
	6/30/18	N/A	N/A %	536,504.62	14.86 %	17,770.30	3.00 %
State of NJ	6/30/16	$1,338,330.00	7.84 %	N/A	N/A %	N/A	N/A %
	6/30/17	1,928,495.00	10.94 %	N/A	N/A %	N/A	N/A %
	6/30/18	2,510,088.00	13.95 %	N/A	N/A %	N/A	N/A %

In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board $1,268,400.89 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount and the State of New Jersey's Contribution to the TPAF and PERS for OPEB have been included in the basic financial statements and the budgetary comparison schedule – General Fund as a revenue and expenditure in accordance with GASB 24.

Note VII: Public Employees Retirement System

Summary of Significant Accounting Policies

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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At June 30, 2018, the District reported a liability of $13,293,688.00 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 that date. 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 employers, actuarially determined. At June 30, 2017, the District's proportion was 0.0571073924%, which was an increase of 3.99% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $1,070,362.00. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 313,020	$
Changes of assumptions	2,678,220	2,668,401
Net difference between projected and actual earnings on pension plan investments	90,521	
Changes in proportion and differences between District contributions and proportionate share of contributions	488,472	67,752
District contributions subsequent to the measurement date	536,504	
Total	$4,106,737	$2,736,153

$536,504.62 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	$ 312,946
2019	472,244
2020	286,155
2021	(380,587)
2022	(277,397)
Total	$ 413,360

Note VII: Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The collective 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 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%

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

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.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Note VII: Public Employees Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 5.00% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.58% as of June 30, 2017, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. 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 net pension liability calculated using the discount rate of 5.00%, 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 (4.00%) or 1-percentage point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's proportionate share of the net pension liability	$16,492,149	13,293,688	10,629,633

Note VIII: Teachers Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ -
State's proportionate share of the net pension liability associated with the District	115,598,964
Total	$115,598,964

The net pension liability was measured as of June 30, 2017 and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 school districts and the State, actuarially determined. At June 30, 2017, the District's proportion was 0.00%, which was a decrease of 0.00% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the State (for the District) recognized pension expense of $8,008,111 and revenue of $8,008,111 for support provided by the State. At June 30, 2017, the State (for the District) reported deferred outflows of resources and deferred inflows of resources related to TPAF from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	$ 753,546	$ 197,102
Changes of assumptions	22,853,668	19,960,889
Net difference between projected and actual earnings on pension plan investments	521,664	
Changes in proportion and differences between State contributions associated with the District and proportionate share of contributions	244,457	85,728
State's contribution associated with the District subsequent to the measurement date	2,510,088	
Total	$26,883,423	$20,243,719

Note VIII: Teachers Pension and Annuity Fund (TPAF)(Continued)

$2,510,088 reported as deferred outflows of resources related to pensions resulting from State contributions associated with the District subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	$1,269,328
2019	2,015,673
2020	1,685,385
2021	944,961
2022	1,071,318
Thereafter	(2,939,307)
Total	$ 4,047,358

Actuarial Assumptions

The collective 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 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-year 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.

Note VIII:Teachers Pension and Annuity Fund (TPAF)(Continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 estate	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount Rate

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

Note VIII: Teachers Pension and Annuity Fund (TPAF)(Continued)

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 net pension liability calculated using the discount rate of 4.25%, 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 (3.25%) or 1-percentage point higher (5.25%) than the current rate:

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
District's proportionate share of the net pension liability	$137,335,037	115,598,964	97,692,684

Note IX: Health Benefit and Post-Retirement Medical Benefits

P.L. 2011, c.78 effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Health Benefits Program Fund (HBPF)- Local Education Retired (including Prescription Drug Program Fund)- The State of New Jersey provides free coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides free coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage.

P.L. 1987, c.384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund and the Public Employees' Retirement System, respectively, to fund post-retirement medical benefits for those employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired stated employees and retired educational employees. As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits and the state contributed $1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c.126 which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid $238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in fiscal year 2016.

Note IX: Health Benefit and Post-Retirement Medical Benefits (Continued)

Summary of Significant Accounting Policies

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the State Health Benefits Local Education Retired Employees Plan (OPEB), information about OPEB's fiduciary net position and additions to/deductions from OPEB's fiduciary net position have been determined on the same basis as they are reported by OPEB. For this purpose, OPEB recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

At June 30, 2018, the District reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	$ -
State's proportionate share of the net OPEB liability associated with the District	80,334,638
Total	$80,334,638

The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2017, the District's proportion was 0.00%, which was a decrease of 0.00% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the State (for the District) recognized OPEB expense of $4,733,966 and revenue of $4,733,966 for support provided by the State. At June 30, 2017, the State (for the District) reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	$	$
Changes of assumptions		(9,500,856)
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion	154,741	
State contributions subsequent to the measurement date	1,621,213	
Total	$ 1,775,954	$ (9,500,856)

Note IX: Health Benefit and Post-Retirement Medical Benefits (Continued)

Actuarial Assumptions

The collective total OPEB 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	2.5%	
	TPAF/ABP	PERS
Salary increases:		
Through 2026	1.55 - 4.55% based on years of service	2.15 – 4.14% based on age
Thereafter	2.00 – 5.45% based on years of service	3.15 – 5.15% 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 the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

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

Discount Rate

The discount rate for June 30, 2017 and 2016 was 3.58% and 2.85%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Note IX: Health Benefit and Post-Retirement Medical Benefits (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District's proportionate share of the new OPEB liability calculated using the discount rate of 3.58%, as well as what the District's proportional share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
District's proportionate share of the net pension liability	$95,357,215	$80,334,638	$68,412,978

Health Care Trend

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
District's proportionate share of the net OPEB liability	$66,067,206	$80,334,638	$99,281,562

Note X: Deferred Compensation Plan

The Board offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 403(b) and 457(b). The plans, which are administered by the entities listed below, permits 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 or upon death to their beneficiaries. The plan administrators are as follows:

The Maitrix Financial Group, Inc./American Funds
AIG VALIC
Lincoln Investment Planning, Inc.
Metropolitan Life Insurance Co.
MetLife Insurance Co. of Connecticut
AXA Equitable
Financial Resources/FTJ Fund Choice/Security I
MetLife Resources
Oppenheimer Funds/BKCT Financial Group LLC

All amounts of compensation deferred under this plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Borough of Mountain Lakes School District (without being restricted to the provisions of benefits under the Plan) subject only to the claims of the Borough of Mountain Lakes School District's general creditors. Participants' right under the Plan are equivalent to those of general creditors of the Borough of Mountain Lakes School District in an amount equal to the fair market value of the deferred account for each participant.

The maximum amount of deferred compensation for any participant for any taxable year shall not exceed the lesser of $18,500.00 or 100 percent of the participant's includible compensation for the taxable year except as provided by the limited catch-up provision which may effect a participant's last three taxable years ending before a participant attains normal retirement age as defined by plan.

During the year ended June 30, 2017 and 2018, the employees' contributions to the plan were $876,892.77, and $810,196.11, respectively.

Note XI: Risk Management

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 table is a summary of district contributions, employee contributions, reimbursements to the state for benefits paid and the ending balance of the district's trust fund for the current and previous two years:

Fiscal Year	District Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2017-2018	$ -0-	$ 26,152.93	$ 31,585.36	$ 318,131.87
2016-2017	-0-	50,870.29	13,840.57	320,433.10
2015-2016	-0-	55,101.73	74,038.57	306,108.35

The Borough of Mountain Lakes School 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.

Note XI: Risk Management

The District is a member of the New Jersey School Board Association Insurance Group (the "Group"). The Group is both an insured and self-administered group of school districts established for the purpose of providing certain low-cost Property Damage, Employer's Liability, Automobile and Equipment Liability insurance coverage for member school districts in order to keep local property taxes at a minimum. The District pays an annual assessment to the Group and should it be determined that payments received by the Group are deficient, additional assessments may be levied. Additionally, the Group maintains a contract of excess insurance with a commercial reinsuror to secure the payment of benefits.

The District is a member of the Morris Essex Workers' Compensation Joint Insurance Fund (the "Fund"). The Fund is both insured and self-administered group of school districts established for the purpose of providing certain low-cost Workers' Compensation coverage for member school districts in order to keep local property taxes at a minimum.

The District pays an annual assessment to the Fund and should it be determined that payments received by the Fund are deficient, additional assessments may be levied. Additionally, the Fund maintains a contract of excess insurance with a commercial reinsuror to secure the payment of benefits.

The Borough of Mountain Lakes School District continues to carry commercial insurance coverage for all risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note XII: Compensated Absences

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of termination, an employee is reimbursed for accumulated vacation. T.P.A.F. staff who retire, as per the provisions of the state pension system, and have at least 15 years of continuous service in Mountain Lakes are reimbursed for accumulated sick leave up to a maximum of $8,000.00 for teachers and $12,000.00 for administrators.

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

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 Food Service Fund.

Note XIII: Contingent Liabilities

The Borough of Mountain Lakes School District is a defendant in several lawsuits, none of which is unusual for a Board of Education of its size. Additional liabilities, if not covered by insurance, should not be material in amount.

Note XIV: Subsequent Events

The Borough of Mountain Lakes School District has evaluated subsequent events through September 13, 2018, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

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APPENDIX C

FORM OF APPROVING LEGAL OPINION

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FORM OF BOND COUNSEL OPINION

[Date of Closing]

The Board of Education of the Borough of
Mountain Lakes, in the County of Morris, New Jersey

Dear Members of the Board:

McCarter & English, LLP

T. 973.622.4444
F. 973.624.7070
www.mccarter.com

BOSTON
HARTFORD
STAMFORD
NEW YORK
NEWARK
EAST BRUNSWICK
PHILADELPHIA
WILMINGTON
WASHINGTON, DC

We have acted as bond counsel to the Board of Education (the "Board of Education") of the Borough of Mountain Lakes, in the County of Morris, New Jersey (the "School District") in connection with the issuance and sale by the Board of Education of its $17,216,000 aggregate principal amount of School District Bonds, Series 2019 (the "Bonds"). In this capacity, we have examined certified copies of a record of proceedings of the Board of Education and such other proofs, documents and instruments submitted to us that we deemed pertinent relative to the issuance and sale by the Board of Education of the Bonds.

The Bonds are dated, mature (subject to prior redemption)and bear interest upon the terms and conditions stated therein, in the resolution adopted by the Board of Education on May 20, 2019 (the "Resolution") and as set forth on the inside cover page of the Official Statement issued in connection with the Bonds. The Bonds are fully registered in form and are issued pursuant to Title 18A, Education, of the New Jersey Statutes and by virtue of a proposal adopted by the Board of Education on August 14, 2017 and approved by the legally qualified voters of the School District at a special school election held on September 26, 2017 and the Resolution.

We are of the opinion that such proceedings, proofs, documents and instruments show lawful authority for the issuance and sale of the Bonds pursuant to Title 18A, Education, of the New Jersey Statutes, and other applicable statutes, and that the Bonds are valid and legally binding obligations of the Board of Education, all the taxable property within the jurisdiction of the School District is subject to the levy of ad valorem taxes for the ultimate payment of the principal of and interest on the Bonds without limitation as to rate or amount.

We are further of the opinion that under existing law, interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not an item of tax preference under Section 57 of the Code for purposes of computing the alternative minimum tax.

We are further of the opinion that under existing law, interest on the Bonds and net gains from the sale thereof are exempt from the tax imposed by the New Jersey Gross Income Tax Act.

The Code imposes certain requirements that must be met on the date of issuance of the Bonds and on a continuing basis subsequent to the issuance of the Bonds in order for interest on the Bonds to be excluded from gross income for federal income tax purposes under Section 103 of the Code. Failure of the Board of Education to comply with such requirements may cause interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, retroactive to the date of issuance of the Bonds. The Board of Education has made representations in the Tax Certificate, dated as of the date hereof, as to various tax requirements with respect to the Bonds. In addition, the Board of Education has covenanted to comply with the provisions of the Code applicable to the Bonds and has covenanted not to take any action or fail to take any action that would cause the interest on the Bonds to lose the exclusion from gross income for federal income tax purposes under Section 103 of the Code or cause interest on the Bonds to be an item of tax preference under Section 57 of the Code. With your permission, we have relied upon the representations made in the Tax Certificate and we have assumed continuing compliance by the Board of Education with the above covenants in rendering our federal income tax opinion with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes and with respect to the treatment of interest on the Bonds for purposes of the alternative minimum tax.

Attention is called to the fact that for purposes of this opinion letter we have not been requested to examine and have not examined any documents or information relating to the Board of Education or the School District other than the certified copies of the proceedings, proofs, documents and instruments hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been or may be supplied to any purchaser of the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined an executed Bond and, in our opinion, the form of said Bond and its execution are regular and proper.

The opinions expressed herein are based upon the laws and judicial decisions of the State of New Jersey and the federal laws and judicial decisions of the United States as of the date hereof and are subject to any amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for our opinions, or laws or judicial decisions hereafter enacted or rendered. Our engagement by the Board of Education with respect to the opinions expressed herein does not require, and shall not be construed to constitute, a continuing obligation on our part to notify or otherwise inform the addressee hereof of the amendment, repeal or other modification of the applicable laws or judicial decisions that served as the basis for this opinion letter or of laws or judicial decisions hereafter enacted or rendered which impact on this opinion letter.

This opinion letter is rendered to you in connection with the above described transaction. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Very truly yours,

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Certificate") is made as of August 1, 2019, by the Board of Education of the Borough of Mountain Lakes, in the County of Morris, a political subdivision duly organized under the laws of the State of New Jersey (the "Issuer").

W I T N E S S E T H:

WHEREAS, the Issuer is issuing its School District Bonds, Series 2019 dated August 1, 2019, in the aggregate principal amount of $17,216,000 (the "Bonds") on the date hereof; and

WHEREAS, the Bonds are being issued pursuant to Title 18A, Education, of the New Jersey Statutes, and by virtue of a proposal adopted by the Issuer on August 14, 2017 and approved by the legally qualified voters of the Mountain Lakes School District at a special school election held on September 26, 2017, and a resolution adopted by the Issuer on May 20, 2019; and

WHEREAS, the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended and supplemented (codified on the date hereof at 15 U.S.C. 77 et seq.) (the "Securities Exchange Act") has adopted amendments to its Rule 15c2-12 (codified at 17 C.F.R. §240.15c2-12) ("Rule 15c2-12") effective July 3, 1995 which generally prohibit a broker, dealer, or municipal securities dealer from purchasing or selling municipal securities, such as the Bonds, unless such broker, dealer or municipal securities dealer has reasonably determined that an issuer of municipal securities or an obligated person has undertaken in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information and material event notices to the MSRB (as defined herein); and

WHEREAS, the Issuer represented in its Notice of Sale dated July 9, 2019 (the "Notice of Sale") that it would deliver on the closing date for the Bonds a "Continuing Disclosure Certificate" pursuant to which the Issuer will agree to provide at the times and to the persons described in Rule 15c2-12 the annual financial information and material event notices on a continual basis pursuant to Rule 15c2-12; and

WHEREAS, on July 17, 2019, the Issuer accepted the bid of Roosevelt & Cross, Inc. & Associates (the "Participating Underwriter") for the purchase of the Bonds; and

WHEREAS, the execution and delivery of this Certificate has been duly authorized by the Issuer and all conditions, acts and things necessary and required to exist, to have happened, or to have been performed precedent to and in the execution and delivery of this Certificate, do exist, have happened and have been performed in regular form, time and manner; and

WHEREAS, the Issuer is executing this Certificate for the benefit of the Holders of the Bonds.

NOW, THEREFORE, for and in consideration of the premises and of the mutual representations, covenants and agreements herein set forth, the Issuer, its successors and assigns, do mutually promise, covenant and agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Terms Defined in Recitals. The following terms shall have the meanings set forth in the recitals hereto:

Bonds	Notice of Sale
Certificate	Rule 15c2-12
Issuer	SEC
Participating Underwriter	Securities Exchange Act

Section 1.2 Additional Definitions. The following additional terms shall have the meanings specified below:

"Annual Report" means Financial Statements and Operating Data provided at least annually.

"Bondholders" or "Holder" or any similar term means the registered holders and beneficial owners of the Bonds.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which commercial banks in New York City, New York or in the State of New Jersey are authorized or required by law to close or (c) a day on which the New York Stock Exchange is closed.

"Disclosure Event" means any event described in subsection 2.1(d) of this Certificate.

"Disclosure Event Notice" means the notice to the MSRB as provided in subsection 2.4(a) of this Certificate.

"Disclosure Representative" means the Board Secretary of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate from time to time.

"Dissemination Agent" means an entity acting in such capacity under this Certificate or any other successor entity designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“EMMA” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

"Final Official Statement" means the final Official Statement of the Issuer dated July 17, 2019 pertaining to the Bonds.

"Financial Statements" means the audited financial statements of the Issuer for each Fiscal Year and are of the type included in Appendix B to the Final Official Statement.

"Fiscal Year" means the fiscal year of the Issuer as determined by the Issuer from time to time. As of the date of this Certificate, the Fiscal Year of the Issuer begins on July 1 and closes on June 30 of each calendar year.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America, consistently applied, as modified by governmental accounting standards and mandated State statutory principles applicable to the Issuer as may be in effect from time to time.

"GAAS" means generally accepted auditing standards as in effect from time to time in the United States of America, consistently applied, as modified by governmental accounting standards and mandated State statutory principles applicable to the Issuer as may be in effect from time to time.

"MSRB" means the Municipal Securities Rulemaking Board.

"Operating Data" means the financial and statistical information of the Issuer contained in the Financial Statements.

“Prescribed Form” means such electronic format accompanied by such identifying information as shall be prescribed by the MSRB and which shall be in effect on the date of filing of such information.

"State" means the State of New Jersey.

Section 1.3 Interpretation. Words of masculine gender include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular include the plural and vice versa, and words importing persons include corporations, associations, partnerships (including limited partnerships), trusts, firms and other legal entities, including public bodies, as well as natural persons. Articles and Sections referred to by number mean the corresponding Articles and Sections of this Certificate. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms as used in this Certificate, refer to this Certificate as a whole unless otherwise expressly stated.

As the context shall require, the disjunctive term "or" shall be interpreted conjunctively as required to insure that the Issuer performs any obligations, mentioned in the passage in which such term appears.

The headings of this Certificate are for convenience only and shall not define or limit the provisions hereof.

ARTICLE II

CONTINUING DISCLOSURE COVENANTS AND REPRESENTATIONS

Section 2.1 Continuing Disclosure Covenants of the Issuer. The Issuer agrees that it will provide, or shall cause the Dissemination Agent to provide:

(a) Not later than the February 28th after then end of each Fiscal Year (presently June 30), commencing with the Fiscal Year of the Issuer ending June 30, 2019 an Annual Report in Prescribed Form in accordance with EMMA to the MSRB;

(b) Not later than fifteen (15) days prior to the date of each year specified in subsection 2.1(a), a copy of the Annual Report to the Dissemination Agent, if the Issuer has appointed or engaged a Dissemination Agent;

(c) If not submitted as part of the Annual Report, then when and if available, in Prescribed Form in accordance with EMMA to the MSRB, audited financial statements for the Issuer; provided that unaudited Financial Statements for the Issuer in Prescribed Form shall be submitted in accordance with EMMA as part of the Annual Report to the MSRB if audited Financial Statements are not then available;

(d) Within ten (10) days of the occurrence of any of the following events, to the MSRB and in Prescribed From, notice of any of the following events with respect to the Bonds (each, a "Disclosure Event"):

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on the debt service reserve fund reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;

(vii) Modifications to rights of holders of the Bonds, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar events of the Issuer, which shall be considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or Federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) Incurrence by the Issuer of a (A) debt obligation, (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (C) a guarantee of (A) or (B), excluding municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule 15c2-12) has been provided to the MSRB consistent with the Rule 15c2-12 (each, a "Financial Obligation"), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(e) In a timely manner, to the MSRB in accordance with EMMA and in Prescribed Form, notice of a failure by the Issuer to provide the Annual Report within the period described in subsections 2.1(a) and 2.1(b) hereof.

Section 2.2 Continuing Disclosure Representations. The Issuer represents and warrants that:

(a) Financial Statements shall be prepared according to GAAP.

(b) Financial Statements prepared annually shall be audited by an independent certified public accountant in accordance with GAAS, the audit requirements provided by the New Jersey Department of Education and the United States Government Accounting Office.

Section 2.3 Form of Annual Report.

(a) The Annual Report may be submitted as a single document or as separate documents comprising a package.

(b) Any or all of the items which must be included in the Annual Report may be incorporated by reference from other information which is available to the public through EMMA or which has been filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

(c) The Financial Statements of the Issuer, if any, may be submitted separately from the balance of the Annual Report.

Section 2.4 Responsibilities and Duties of the Issuer or the Dissemination Agent.

(a) If the Issuer or the Dissemination Agent (if one has been appointed or engaged by the Issuer) has determined it necessary to report the occurrence of a Disclosure Event, the Issuer or Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a notice of such occurrence in the Prescribed Form and in accordance with EMMA with the MSRB (the "Disclosure Event Notice") in the form provided by the Issuer.

(b) The Issuer and/or the Dissemination Agent (if one has been appointed or engaged by the Issuer) shall file a written report with the Issuer certifying that the Annual Report has been provided in accordance with EMMA to the MSRB.

Section 2.5 Responsibilities, Duties, Immunities and Liabilities of the Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

(b) The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the Issuer agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents harmless against any loss, expense and liability which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this subsection shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(c) The Dissemination Agent, or any successor thereto, may at any time resign and be discharged of its duties and obligations hereunder by giving not less than thirty (30) days written notice to the Issuer. Such resignation shall take effect on the date specified in such notice.

ARTICLE III

REMEDIES

Section 3.1 Remedies.

(a) Any Bondholder, for the equal benefit and protection of all Bondholders similarly situated, may take whatever action at law or in equity against the Issuer and any of the officers, agents and employees of the Issuer which is necessary or desirable to enforce the specific performance and observance of any obligation, agreement or covenant of the Issuer under this Certificate and may compel the Issuer or any such officers, agents or employees, except for the Dissemination Agent, to perform and carry out their duties under this Certificate; provided, that no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

(b) In case any Bondholder shall have proceeded to enforce its rights under this Certificate and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to any Bondholder, then and in every such case the Issuer and any Bondholder shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Issuer and any Bondholder shall continue as though no such proceeding had been taken.

(c) A default under this Certificate shall not be deemed a default under the Bonds, and the sole remedy under this Certificate in the event of any failure or refusal by the Issuer to comply with this Certificate shall be as set forth in subsection 3.1(a) of this Certificate.

ARTICLE IV

MISCELLANEOUS

Section 4.1 Purposes of the Continuing Disclosure Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the Participating Underwriter in complying with clause (b)(5) of Rule 15c2-12.

Section 4.2 Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from (a) disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or (b) including any other information in any Annual Report or any Disclosure Event Notice, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Report or any Disclosure Event Notice in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or any future Disclosure Event Notice.

Section 4.3 Notices. All notices required to be given or authorized shall be in writing and shall be sent by registered or certified mail to the Issuer, Board of Education of the Borough of Mountain Lakes, 400 Boulevard, Mountain Lakes, NJ 07046-1520, Attention: Board Secretary.

Section 4.4 Severability. If any provision of this Certificate shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 4.5 Amendments, Changes and Modifications. (a) Without the consent of any Bondholders, the Issuer at any time and from time to time may enter into any amendments or modifications to this Certificate for any of the following purposes:

(i) to add to covenants and agreements of the Issuer hereunder for the benefit of the Bondholders, or to surrender any right or power conferred upon the Issuer by this Certificate;

(ii) to modify the contents, presentation and format of the Annual Report from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting the Issuer; provided that any such modification shall comply with the requirements of Rule 15c2-12 as then in effect at the time of such modification; or

(iii) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to include any other provisions with respect to matters or questions arising under this Certificate which, in each case, comply with Rule 15c2-12 as then in effect at the time of such modification;

provided, that prior to approving any such amendment or modification, counsel nationally recognized as expert in federal securities law acceptable to the Issuer determines that such amendment or modification does not adversely affect the interests of the Holders of the Bonds in any material respect.

(b) Upon entering into any amendment or modification required or permitted by this Certificate, the Issuer shall deliver, or cause the Dissemination Agent to deliver, in Prescribed Form in accordance with EMMA to the MSRB written notice of any such amendment or modification.

(c) The Issuer shall be entitled to rely exclusively upon an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments or modifications comply with the conditions and provisions of this Section 4.5 and Rule 15c2-12.

Section 4.6 Amendments Required by Rule 15c2-12. The Issuer recognizes that the provisions of this Certificate are intended to enable the Participating Underwriter to comply with Rule 15c2-12. If, as a result of a change in Rule 15c2-12 or in the interpretation thereof, a change in this Certificate shall be permitted or necessary to assure continued compliance with Rule 15c2-12 and upon delivery by the Participating Underwriter of an opinion of counsel nationally recognized as expert in federal securities law acceptable to the Issuer to the effect that such amendments shall be permitted or necessary to assure continued compliance with Rule 15c2-12 as so amended or interpreted, then the Issuer shall amend this Certificate to comply with and be bound by any such amendment to this Certificate to the extent necessary or desirable to assure compliance with the provisions of Rule 15c2-12 and provide the written notice of such amendment as required by subsection 4.5(b) hereof.

Section 4.7 Governing Law. This Certificate shall be governed exclusively by and construed in accordance with the applicable laws of the State of New Jersey and the applicable federal laws of the United States of America.

Section 4.8 Termination of Issuer's Continuing Disclosure Obligations. The continuing obligation of the Issuer under Section 2.1 hereof to provide the Annual Report and any Disclosure Event Notice and to comply with the other requirements of said Section shall terminate if and when either (a) the Bonds are no longer Outstanding or (b) the Issuer no longer remains an "obligated person" (as defined in Rule 15c2-12(f)(10)) with respect to the Bonds. This Certificate shall be in full force and effect from the date hereof and shall continue in effect so long as any Bonds are Outstanding.

Section 4.9 Binding Effect. This Certificate shall inure to the benefit of and shall be binding upon the Issuer and its successors and assigns.

IN WITNESS WHEREOF, THE BOARD OF EDUCATION OF THE BOROUGH OF MOUNTAIN LAKES, IN THE COUNTY OF MORRIS has caused this Certificate to be executed in its name and its corporate seal to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

[SEAL]

ATTEST:	THE BOARD OF EDUCATION OF THE BOROUGH OF MOUNTAIN LAKES, IN THE COUNTY OF MORRIS
______________________________	By:_________________________________
Board Secretary	Board President