

CARLSTADT BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Carlstadt, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
Carlstadt Board of Education
Carlstadt, New Jersey
For The Fiscal Year Ended June 30, 2018**

**Prepared by
Business Office**

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INTRODUCTORY SECTION



Carlstadt Public School

550 Washington Street
Carlstadt, NJ 07072

Megan S. Slamb, MBA
Business Administrator/Board Secretary

PH: 201.672.3000
FAX: 201.672.9845

January 22, 2019

Honorable President and
Members of the Board of Education
Carlstadt Board of Education
County of Bergen, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Carlstadt Board of Education 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 Carlstadt Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Carlstadt Board of Education's MD&A can be found immediately following the "Independent Auditor's Report".

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. Information related to the single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments and the U.S. Uniform Guidance and the State Treasury Circular Letter 15-08 OMB, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*". Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Carlstadt Board of Education is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds of the District are included in this report. The Carlstadt 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 Pre-K through 8. These include regular as well as special education for handicapped youngsters. The District completed the 2017-2018 fiscal year with an average daily enrollment of 541 students, which is 6 students more than the previous year's enrollment. The following details the changes in the average daily enrollment of the District over the last ten years.

Fiscal	Average	Percent
<u>Year</u>	<u>Daily</u>	<u>Change</u>
	<u>Enrollment</u>	
2017-18	541	1.12%
2016-17	535	(5.14) %
2015-16	559	(1.74)%
2014-15	574	(3.04)%
2013-14	592	(1.17)%
2012-13	599	3.28%
2011-12	580	(2.03) %
2010-11	592	2.96%
2009-10	575	(1.20)%
2008-09	582	2.65%

2) ECONOMIC CONDITION AND OUTLOOK: Developmentally the Carlstadt area in general has leveled off and industrial growth is rather minimal. A commercial initiative is possible in the neighboring community of East Rutherford. It is projected that this project will take anywhere from 1 to 3 years to complete. The project should provide a number of job opportunities for people in the neighboring communities, including Carlstadt. The District does not anticipate any real change in the student population as a result of this commercial venture.

3) MAJOR INITIATIVES:

During the 2017-2018 school year several major initiatives were undertaken. We began an investigative process into leaks occurring in several areas of the school due to extensive pipe corrosion. Additional moneys were put into the Capital Reserve for the purpose of mitigating the leak problems in the upcoming year. We completed a roof project and façade remediation project this summer. Additional security including perimeter strobes, internal panic buttons, and cameras were installed to improve communication between the school, community and police department. We anticipate reconstruction of exterior stairs, lighting upgrades/replacements in several areas of the building, upgrades to entry security, and possible security window film for all interior doors.

We continue to focus on the demands and training requirements of the new legislation for teacher evaluations. The common core has now become the driving force for curriculum. Carlstadt strives to operate with fiscal responsibility as dictated by both these initiatives.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (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, Special Revenue Fund and Debt Service 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as assigned fund balance at June 30, 2018.

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

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

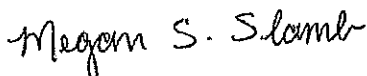
8) RISK MANAGEMENT: The Board carried various forms of insurance, including but not limited to general liability, automobile liability, hazard and theft insurance on property and contents, and fidelity bonds.

9) OTHER INFORMATION: State statutes require an annual audit by independent certified public accounts or registered municipal accountants. The accounting firm of Lerch, Vinci, and Higgins, LLP, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 as amended and the related U.S. Uniform Guidance and state Treasury Circular Letter 15-08 OMB. The auditor's report on the basic 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.

10) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Carlstadt 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.

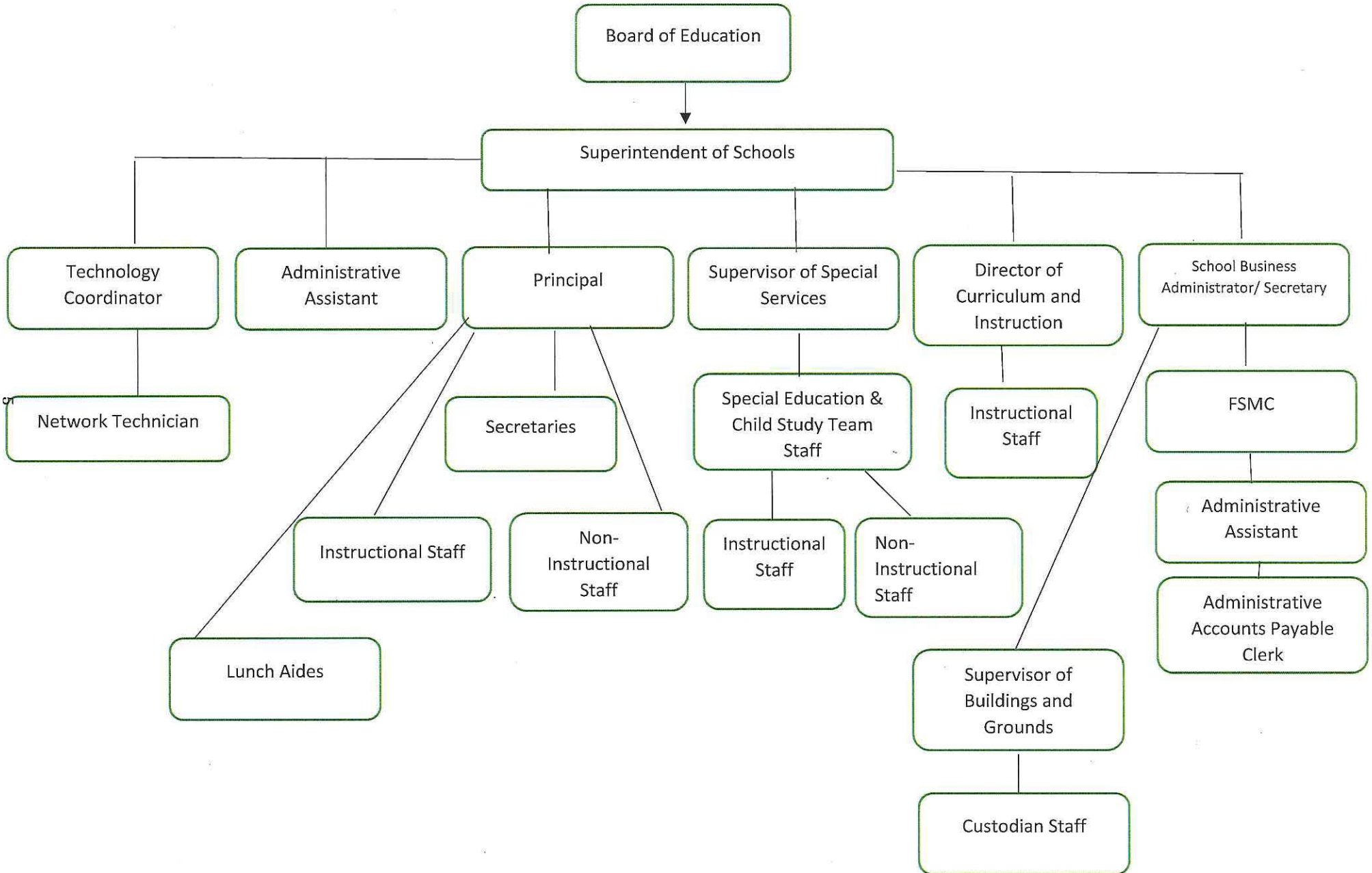
Respectfully submitted,



Megan S. Slamb, MBA

Business Administrator/Board Secretary

1110 ORGANIZATIONAL CHART



**CARLSTADT BOARD OF EDUCATION
CARLSTADT, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Thomas J. Cox, Jr, President	2020
Massimo Offreda, Vice President	2019
Marc Christiano	2020
Frank Ficetola	2019
Susan Hamilton	2020
Diane Lahullier	2018
Maria McNeal	2018
Lori Nunziato	2018
Henry Riveros	2019
 <u>Other Officials</u>	
Stephen Kollinok, Superintendent of Schools	
Megan S. Slamb, Business Administrator/Board Secretary	
Jeff Merlino, Board Attorney	

**CARLSTADT BOARD OF EDUCATION
Consultants and Advisors**

Audit Firm

Lerch, Vinci & Higgins, LLP
17-17 Route 208 North
Fair Lawn, NJ 07410

Attorney

Sciarrillo, Cornell, Merlino, McKeever & Osborne, LLC
238 St. Paul Street
Westfield, NJ 07090

Insurance Counselor

Professional Insurance
Associates, Inc.
429 Hackensack Street
P.O. Box 0818
Carlstadt, NJ 07072

Official Depository

Valley National Bank
207 Hackensack Street
Wood-Ridge, NJ 07470

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Carlstadt Board of Education
Carlstadt, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carlstadt Board of Education as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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 of the Carlstadt Board of Education as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2018 the Carlstadt Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and other postemployment benefits information 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 Carlstadt Board of Education's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB 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 of the Carlstadt Board of Education.

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

The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2019 on our consideration of the Carlstadt Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Carlstadt Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Carlstadt Board of Education's internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Andrew D. Parente
Public School Accountant
PSA Number CS002246

Fair Lawn, New Jersey
January 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

CARLSTADT BOARD OF EDUCATION
CARLSTADT, NEW JERSEY

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2018

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

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain comparative information between the current year (2017-2018) and the prior year (2016-2017) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for 2017-2018 fiscal year include the following:

- The assets and deferred outflows of resources of the Carlstadt Board of Education exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$10,230,212 (net position).
- General revenues accounted for \$12,196,973 or 73 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,594,351 or 27 percent of total revenues of \$16,791,324.
- The School District had \$15,115,399 in expenses; only \$4,594,351 of these expenses are offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,196,973 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$12,545,925 in revenues and \$11,529,418 in expenditures. The General Fund's fund balance increased by \$1,016,507 from \$4,546,262 at June 30, 2017 to \$5,562,769 at June 30, 2018.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending balance of \$5,562,769. The combined fund balance increased by \$1,016,507 from the prior year.

Using this Comprehensive Annual Financial Report (CAFR)

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

The Statement of Net Position and Statement of Activities provide information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at significant funds. The General Fund is by far the most significant fund.

CARLSTADT BOARD OF EDUCATION
CARLSTADT, NEW JERSEY

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2018

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the School District's net position and changes in the position. This change is important because it tells the reader that, for the school district as a whole, its financial position improved or diminished. The causes of this change may be the result of many factors. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – All programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- **Business-Type Activity** – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The District's governmental funds include General Fund, Special Revenue Fund, and Debt Service Fund.

Governmental Funds

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

CARLSTADT BOARD OF EDUCATION
CARLSTADT, NEW JERSEY

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2018

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The District as a Whole

The Statement of Net Position provides one perspective of the District as a whole. Net position may serve over time as a useful indicator of a government's financial position.

The following provides a summary of the District's net position as of June 30, 2018 and 2017, respectively.

Statement of Net Position
as of June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 5,761,321	\$ 4,839,712	\$ 129,760	\$ 120,187	\$ 5,891,081	\$ 4,959,899
Capital Assets, net of accumulated depreciation	22,826,663	23,060,007	17,923	23,583	22,844,586	23,083,590
Total Assets	<u>28,587,984</u>	<u>27,899,719</u>	<u>147,683</u>	<u>143,770</u>	<u>28,735,667</u>	<u>28,043,489</u>
Deferred Outflows of Resources	<u>1,228,387</u>	<u>1,619,838</u>	<u>-</u>	<u>-</u>	<u>1,228,387</u>	<u>1,619,838</u>
Long-Term liabilities	18,747,270	20,643,963			18,747,270	20,643,963
Other Liabilities	306,183	406,848	28,173	23,633	334,356	430,481
Total Liabilities	<u>19,053,453</u>	<u>21,050,811</u>	<u>28,173</u>	<u>23,633</u>	<u>19,081,626</u>	<u>21,074,444</u>
Deferred Inflows of Resources	<u>651,325</u>	<u>33,789</u>	<u>891</u>	<u>807</u>	<u>652,216</u>	<u>34,596</u>
Net Investment in Capital Assets	7,767,572	7,033,392	17,923	23,583	7,785,495	7,056,975
Restricted	4,109,524	3,154,397			4,109,524	3,154,397
Unrestricted	(1,765,503)	(1,752,832)	100,696	95,747	(1,664,807)	(1,657,085)
Total Net Position	<u>\$ 10,111,593</u>	<u>\$ 8,434,957</u>	<u>\$ 118,619</u>	<u>\$ 119,330</u>	<u>\$ 10,230,212</u>	<u>\$ 8,554,287</u>

The District's combined net position as of June 30, 2018 and 2017 were \$10,230,212 and \$8,554,287 respectively.

CARLSTADT BOARD OF EDUCATION
CARLSTADT, NEW JERSEY

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2018

The following shows changes in net position for fiscal years ended June 30, 2018 and 2017.

**Change in Net Position
For The Fiscal Years Ended June 30, 2018 and 2017**

	Governmental Activities		Business- Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues						
Charges for Services	\$ 114,444	\$ 98,738	\$ 175,349	\$ 183,802	\$ 289,793	\$ 282,540
Operating Grants and Contributions	4,190,206	3,904,299	114,352	126,185	4,304,558	4,030,484
General Revenues						
Property Taxes	12,093,229	11,805,004			12,093,229	11,805,004
Other	103,165	45,569	579	228	103,744	45,797
Total Revenues	<u>16,501,044</u>	<u>15,853,610</u>	<u>290,280</u>	<u>310,215</u>	<u>16,791,324</u>	<u>16,163,825</u>
Expenses						
Instruction						
Regular	6,960,672	7,011,339			6,960,672	7,011,339
Special Education	2,060,410	2,070,018			2,060,410	2,070,018
Other Instruction	396,040	334,511			396,040	334,511
School Sponsored Activities and Athletics	52,280	59,056			52,280	59,056
Support Services						
Student and Instruction Related Services	1,555,620	1,493,045			1,555,620	1,493,045
School Administrative Services	462,967	437,089			462,967	437,089
General Administrative Services	514,378	487,572			514,378	487,572
Plant Operations and Maintenance	1,591,937	1,598,503			1,591,937	1,598,503
Pupil Transportation	185,581	217,035			185,581	217,035
Business Svcs/Central Services/Admin. Info Tech.	472,426	455,254			472,426	455,254
Interest on Long-Term Debt	572,097	587,731			572,097	587,731
Food Services	-	-	290,991	310,098	290,991	310,098
Total Expenses	<u>14,824,408</u>	<u>14,751,153</u>	<u>290,991</u>	<u>310,098</u>	<u>15,115,399</u>	<u>15,061,251</u>
Change in Net Position	1,676,636	1,102,457	(711)	117	1,675,925	1,102,574
Net Position, Beginning of Year	<u>8,434,957</u>	<u>7,332,500</u>	<u>119,330</u>	<u>119,213</u>	<u>8,554,287</u>	<u>7,451,713</u>
Net Position, End of Year	<u>\$ 10,111,593</u>	<u>\$ 8,434,957</u>	<u>\$ 118,619</u>	<u>\$ 119,330</u>	<u>\$ 10,230,212</u>	<u>\$ 8,554,287</u>

CARLSTADT BOARD OF EDUCATION
CARLSTADT, NEW JERSEY

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2018

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirement to annually seek voter approval for District operations. Property taxes made up 73 percent of revenues for governmental activities for the Carlstadt School District in fiscal year 2018. The District's governmental activities total revenues were \$16,501,044 for the year ended June 30, 2018, an increase of \$647,434 from the previous year. Federal, state, and local grants/aid accounted for 25 percent of revenue. The balance of revenues is charges for services (tuition and rental fees) and miscellaneous income which includes investment earnings.

The total cost of all governmental activities programs and services was \$14,824,408. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$9,469,402 (64%) of total expenses. Student and other support services, exclusive of administration and interest on long-term debt, total \$3,333,138 or (22%) of total expenses. Total administrative expenses of \$1,449,771 accounted for 10% of total expenses. The balance of expenses \$572,097 (4%) relate to interest and other charges on long-term debt. The District's total governmental activities expenses increased \$73,255 over the amount of 2016/2017 expenses largely due to the increase in on-behalf TPAF expenses.

Business-Type Activities

Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal reimbursements.

- Food service expenses exceeded revenues by \$711.
- Charges for services represent 60 percent of revenue. This represents amounts paid for daily lunch service.
- State and Federal reimbursement for school breakfast and lunch was \$114,352 or 40 percent of total revenues.

CARLSTADT BOARD OF EDUCATION
CARLSTADT, NEW JERSEY

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2018

Total and Net Cost of Governmental Activities

The District's total cost of services was \$14,824,408 for the fiscal year ended June 30, 2018. After applying program revenues derived from charges for services of \$114,444 and operating grants and contributions of \$4,190,206 the net cost of services of the District is \$10,519,758.

**Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2018 and 2017**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction				
Regular	\$ 6,960,672	\$ 7,011,339	\$ 4,271,114	\$ 4,271,542
Special Education	2,060,410	2,070,018	1,107,130	1,183,907
Other Instruction	396,040	334,511	240,096	205,885
School Sponsored Activities and Athletics	52,280	59,056	34,831	38,718
Support Services				
Student and Instruction Related Services	1,555,620	1,493,045	1,401,780	1,468,701
School Administrative Services	462,967	437,089	328,041	316,070
General Administrative Services	514,378	487,572	484,052	487,572
Plant Operations and Maintenance	1,591,937	1,598,503	1,471,688	1,527,221
Pupil Transportation	185,581	217,035	172,133	205,515
Business Services/Central Svcs./Admin. Info.	472,426	455,254	436,796	455,254
Interest on Long-Term Debt	572,097	587,731	572,097	587,731
Total	\$ 14,824,408	\$ 14,751,153	\$ 10,519,758	\$ 10,748,116

Instruction expenses include activities directly dealing with the teaching of pupils and the interactions between teacher and student, including extracurricular activities.

Student and instruction related services include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

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

Operation and maintenance of facilities involve keeping the school grounds, buildings, and equipment in an effective working condition, including energy costs. The cost also includes the depreciation expense of the building and all of the building improvements.

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

CARLSTADT BOARD OF EDUCATION
CARLSTADT, NEW JERSEY

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$5,562,769. For the fiscal year ended June 30, 2017, the fund balance was \$4,546,262.

Revenues for the District's governmental funds were \$14,361,311 while total expenses were \$13,344,804.

General Fund - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students from grades K-8 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues for the fiscal year ended June 30, 2018 and 2017.

	Fiscal Year Ended <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Local Sources				
Property Tax Levy	\$ 10,547,841	\$ 10,272,696	\$ 275,145	3%
Interest	71,124	16,386	54,738	334%
State/Federal Sources	1,786,257	1,585,071	201,186	13%
Miscellaneous	<u>140,703</u>	<u>121,804</u>	<u>18,899</u>	16%
 Total General Fund Revenues	 <u>\$ 12,545,925</u>	 <u>\$ 11,995,957</u>	 <u>\$ 549,968</u>	 5%

Total General Fund Revenues increased by \$549,968 or 5% over the previous year.

CARLSTADT BOARD OF EDUCATION
CARLSTADT, NEW JERSEY

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2018

General Fund (Continued)

Local property taxes increased by 3% over the previous year.

State/federal revenues increased \$201,186 or 13% from the previous year largely attributable to a increase in the State of New Jersey's contribution to pension costs and post retirement medical benefits on behalf of the Carlstadt School District.

Interest earning increased by \$54,738 due to higher available bank balances.

Miscellaneous revenues increased \$18,899.

The following schedule presents a summary of General Fund expenditures for the fiscal year ended June 30, 2018 and 2017.

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017	Amount of Increase (Decrease)	Percent Increase (Decrease)
Instruction	\$ 7,319,736	\$ 7,135,900	\$ 183,836	3%
Support Services	3,815,432	3,809,514	5,918	0%
Capital Outlay	<u>394,250</u>	<u>168,983</u>	<u>225,267</u>	133%
Total Expenditures	<u>\$ 11,529,418</u>	<u>\$ 11,114,397</u>	<u>\$ 415,021</u>	4%

Total General Fund expenditures increased \$415,021 or 4% over the previous year. The increase was attributable to increases in instructional costs and capital outlay expenditures.

In 2017-2018 General Fund revenues exceeded expenses by \$1,016,507. As a result, total fund balance increased to \$5,562,769 at June 30, 2018. After deducting restrictions and assignments, the unassigned fund balance decreased from \$241,613 at June 30, 2017 to \$231,617 at June 30, 2018.

Special Revenue Fund - The Special Revenue Fund includes all restricted Federal, State and Local sources utilized in the operations of the district in providing educational services to students with special needs.

Revenues of the Special Revenue Fund were \$269,998, for the year ended June 30, 2018. Federal sources accounted for 99% of the Special Revenue Fund's revenue. The balance \$919 of the revenues come from local donations.

Total Special Revenue Fund revenues decreased \$16,066 or 6% from the previous year. Federal sources decreased \$1,104 while local sources decreased \$14,962.

CARLSTADT BOARD OF EDUCATION
CARLSTADT, NEW JERSEY

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2018

Special Revenue Fund (Continued)

Expenditures of the Special Revenue Fund were \$269,998. Instructional expenditures were \$233,945 (87%) of total expended for the year ended June 30, 2018. The balance of the expenditures \$36,053 were student and instruction related services.

Proprietary Funds

The District maintains an Enterprise Fund to account for activities, which are supported in part through user fees.

Enterprise Fund - The District uses an Enterprise Fund to report activities related to the Food Services program. The District's Enterprise Fund provides the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the District's business-type activities. The expenses exceeded the revenues by \$711 resulting in net position of \$118,619 at June 30, 2018 a decrease from the balance of \$119,330 at June 30, 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Over the course of the year, the District revised the annual operating budget several times. These budget amendments were from appropriating additional surplus, implementing budgets for specially funded projects, which include both federal and State grants, and reinstating prior year purchase orders being carried over.

CAPITAL ASSETS

The District's investment in capital assets as of June 30, 2018 for its governmental activities amounts to \$22,826,663 (net of accumulated depreciation) and \$17,923 for business-type activities. The capital assets consist of land, construction in progress, land improvements, buildings, building improvements, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2017-2018 amounted to \$627,594 for governmental activities and \$5,660 for business-type activities.

CARLSTADT BOARD OF EDUCATION
CARLSTADT, NEW JERSEY

Management's Discussion and Analysis
for the Fiscal Year Ended June 30, 2018

CAPITAL ASSETS (Continued)

**Capital Assets as of June 30, 2018 and 2017
(Net of Accumulated Depreciation)**

	Governmental		Business-Type	
	<u>Activities</u>		<u>Activities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 188,036	\$ 188,036		
Construction in Progress	49,168	168,983		
Improvements Other Than Building	167,657	186,215		
Building and Building Improvements	22,185,450	22,265,797		
Machinery and Equipment	<u>236,352</u>	<u>250,976</u>	\$ 17,923	\$ 23,583
Total Capital Assets, Net	<u>\$ 22,826,663</u>	<u>\$ 23,060,007</u>	<u>\$ 17,923</u>	<u>\$ 23,583</u>

Additional information on the District's capital assets is presented in Note 4 of this report.

LONG TERM LIABILITIES

At year end, the District's long-term liabilities consisted of compensated absences payable of \$75,398, bonds payable (including unamortized premium) of \$15,566,957 and net pension liability of \$3,104,915.

Additional information of the District's long-term liabilities is presented in Note 4 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Currently, the District is in stable financial condition. Everyone associated with Carlstadt Board of Education is grateful for the community support.

Many factors were considered by the District's administration during the process of developing the fiscal year 2018/2019 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs.

These indicators were considered when adopting the budget for fiscal year 2018-2019. Budgeted appropriations in the General Fund increased 11 percent to \$12,496,939 in fiscal year 2018-2019. The primary reason for the increase was the additional appropriation required to complete several construction projects.

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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator, Carlstadt Board of Education, 550 Washington Street, Carlstadt, NJ 07072.

FINANCIAL STATEMENTS

CARLSTADT BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,876,966	\$ 56,579	\$ 4,933,545
Receivables, net	945,786	8,374	954,160
Internal Balances	(61,431)	61,431	-
Inventory		3,376	3,376
Capital Assets, Not Being Depreciated	237,204		237,204
Capital Assets, Being Depreciated, Net	<u>22,589,459</u>	<u>17,923</u>	<u>22,607,382</u>
Total Assets	<u>28,587,984</u>	<u>147,683</u>	<u>28,735,667</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding of Debt	507,866		507,866
Deferred Amounts on Net Pension Liability	<u>720,521</u>	<u>-</u>	<u>720,521</u>
Total Deferred Outflows of Resources	<u>1,228,387</u>	<u>-</u>	<u>1,228,387</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	190,054	28,173	218,227
Accrued Interest Payable	107,631		107,631
Unearned Revenue	8,498		8,498
Noncurrent Liabilities			
Due Within One Year	910,200		910,200
Due Beyond One Year	<u>17,837,070</u>	<u>-</u>	<u>17,837,070</u>
Total Liabilities	<u>19,053,453</u>	<u>28,173</u>	<u>19,081,626</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenues		891	891
Deferred Amounts on Net Pension Liability	<u>651,325</u>	<u>-</u>	<u>651,325</u>
Total Deferred Inflows of Resources	<u>651,325</u>	<u>891</u>	<u>652,216</u>
NET POSITION			
Net Investment in Capital Assets	7,767,572	17,923	7,785,495
Restricted for			
Capital Projects	3,474,049		3,474,049
Other Purpose - Maintenance	635,475		635,475
Unrestricted	<u>(1,765,503)</u>	<u>100,696</u>	<u>(1,664,807)</u>
Total Net Position	<u>\$ 10,111,593</u>	<u>\$ 118,619</u>	<u>\$ 10,230,212</u>

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

**CARLSTADT BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 6,960,672	\$ 32,850	\$ 2,656,708		\$ (4,271,114)		\$ (4,271,114)
Special Education	2,060,410	34,794	918,486		(1,107,130)		(1,107,130)
Other Instruction	396,040		155,944		(240,096)		(240,096)
School Sponsored Activities and Athletics	52,280		17,449		(34,831)		(34,831)
Support Services							
Student and Instruction Related Services	1,555,620		153,840		(1,401,780)		(1,401,780)
General Administrative Services	514,378		30,326		(484,052)		(484,052)
School Administrative Services	462,967		134,926		(328,041)		(328,041)
Plant Operations and Maintenance	1,591,937	46,800	73,449		(1,471,688)		(1,471,688)
Pupil Transportation	185,581		13,448		(172,133)		(172,133)
Business Services/Central Svces/Admin. Info.	472,426		35,630		(436,796)		(436,796)
Interest on Long Term Debt	572,097	-	-	-	(572,097)	-	(572,097)
Total Governmental Activities	14,824,408	114,444	4,190,206	-	(10,519,758)	-	(10,519,758)
Business-Type Activities							
Food Service	290,991	175,349	114,352	-	-	\$ (1,290)	(1,290)
Total Business-Type Activities	290,991	175,349	114,352	-	-	(1,290)	(1,290)
Total Primary Government	\$ 15,115,399	\$ 289,793	\$ 4,304,558	\$ -	(10,519,758)	(1,290)	(10,521,048)
General Revenues							
Taxes:							
Property Taxes, levied for general purposes, net					10,547,841		10,547,841
Property Taxes, levied for debt service purposes, net					1,545,388		1,545,388
Unrestricted State Aid					5,782		5,782
Investment Earnings					71,124	579	71,703
Miscellaneous Income					26,259	-	26,259
Total General Revenues					12,196,394	579	12,196,973
Change in Net Position					1,676,636	(711)	1,675,925
Net Position, Beginning of Year					8,434,957	119,330	8,554,287
Net Position, End of Year					\$ 10,111,593	\$ 118,619	\$ 10,230,212

FUND FINANCIAL STATEMENTS

**CARLSTADT BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 4,876,966			\$ 4,876,966
Due from Other Funds	14,318			14,318
Receivables from Other Governments	896,750	\$ 48,587	-	945,337
	<u>5,788,034</u>	<u>48,587</u>	<u>-</u>	<u>5,836,621</u>
Total Assets	<u>\$ 5,788,034</u>	<u>\$ 48,587</u>	<u>\$ -</u>	<u>\$ 5,836,621</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 163,834	\$ 26,220		\$ 190,054
Due to Other Funds	61,431	13,869		75,300
Unearned Revenue	-	8,498	-	8,498
	<u>225,265</u>	<u>48,587</u>	<u>-</u>	<u>273,852</u>
Total Liabilities	<u>225,265</u>	<u>48,587</u>	<u>-</u>	<u>273,852</u>
Fund Balances				
Restricted Fund Balance				
Excess Surplus	457,470			457,470
Excess Surplus-Designated for Subsequent Year's Expenditures (2018/19 Budget)	382,489			382,489
Capital Reserve	2,575,138			2,575,138
Capital Reserve-Designated for Subsequent Year's Expenditures (2018/19 Budget)	898,911			898,911
Maintenance Reserve	635,475			635,475
Emergency Reserve	250,000			250,000
Assigned Fund Balance				
Year End Encumbrances	110,051			110,051
Designated for Subsequent Year's Expenditures (2018/19 Budget)	21,618			21,618
Unassigned Fund Balance	231,617	-	-	231,617
	<u>5,562,769</u>	<u>-</u>	<u>-</u>	<u>5,562,769</u>
Total Fund Balances	<u>5,562,769</u>	<u>-</u>	<u>-</u>	<u>5,562,769</u>
Total Liabilities and Fund Balances	<u>\$ 5,788,034</u>	<u>\$ 48,587</u>	<u>\$ -</u>	<u>\$ 5,836,621</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**CARLSTADT BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018**

Total Fund Balances (Exhibit B-1)	\$	5,562,769
<p>Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$30,063,673 and the accumulated depreciation is \$7,237,010.</p>		22,826,663
<p>The district has financed capital assets through the issuance of serial bonds. The interest accrual at year end is:</p>		(107,631)
<p>Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt.</p>		507,866
<p>Certain amounts resulting from the measurement of the net pension liability are reported as either deferred outflows of resources or deferred inflows of resources on the statement of net position and deferred over future years.</p>		
<p>Deferred Outflows of Resources</p>	\$ 720,521	
<p>Deferred Inflows of Resources</p>	<u>(651,325)</u>	
		69,196
<p>Long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 2)</p>		<u>(18,747,270)</u>
Net Position of Governmental Activities (Exhibit A-1)	\$	<u>10,111,593</u>

**CARLSTADT BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources				
Property Tax Levy	\$ 10,547,841		\$ 1,545,388	\$ 12,093,229
Tuition	67,644			67,644
Rentals	46,800			46,800
Interest	71,124			71,124
Miscellaneous	26,259	\$ 919	-	27,178
Total - Local Sources	<u>10,759,668</u>	<u>919</u>	<u>1,545,388</u>	<u>12,305,975</u>
State Sources	1,786,257			1,786,257
Federal Sources	-	269,079	-	269,079
Total Revenues	<u>12,545,925</u>	<u>269,998</u>	<u>1,545,388</u>	<u>14,361,311</u>
EXPENDITURES				
Current				
Regular Instruction	5,301,800	86,514		5,388,314
Special Education Instruction	1,670,629	145,945		1,816,574
Other Instruction	305,129	1,486		306,615
School-Sponsored Activities and Athletics	42,178			42,178
Support Services				
Student and Instruction Related Services	1,363,607	36,053		1,399,660
General Administrative Services	472,365			472,365
School Administrative Services	375,618			375,618
Plant Operations and Maintenance	998,687			998,687
Pupil Transportation	182,090			182,090
Business Services/Central Svcs/ Admin. Info. Tech.	423,065			423,065
Debt Service				
Principal			865,000	865,000
Interest			680,388	680,388
Capital Outlay	394,250	-	-	394,250
Total Expenditures	<u>11,529,418</u>	<u>269,998</u>	<u>1,545,388</u>	<u>13,344,804</u>
Excess (Deficiency) of Revenues Over Expenditures	1,016,507	-	-	1,016,507
Fund Balance, Beginning of Year	<u>4,546,262</u>	-	-	<u>4,546,262</u>
Fund Balance , End of Year	<u>\$ 5,562,769</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,562,769</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**CARLSTADT BOARD OF EDUCATION
ILLUSTRATIVE RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) **\$ 1,016,507**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.

Capital Outlay	\$	394,250	
Depreciation Expense		<u>(627,594)</u>	(233,344)

In the statement of activities, certain operating expenses - compensated absences and pension expense are measured by the amounts earned or accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Net Decrease in Compensated Absences		12,746	
Net Increase in Pension Expense		<u>(92,564)</u>	(79,818)

Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Bond Principal			865,000
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Governmental funds report the effect of premiums and such items related to the refunding bonds when they are first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Bond Premium		170,225	
Amortization of Deferred Amounts on Refunding		<u>(67,701)</u>	102,524

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in accrued interest			<u>5,767</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ 1,676,636**

**CARLSTADT BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2018**

		Business-Type Activities
		<u>Enterprise Fund</u> <u>Food Services</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$	56,579
Intergovernmental Receivable		
Federal		8,374
Due from Other Funds		61,431
Inventory		<u>3,376</u>
Total Current Assets		<u>129,760</u>
Capital Assets		
Machinery and Equipment		84,900
Less: Accumulated Depreciation		<u>(66,977)</u>
Total Capital Assets, Net		<u>17,923</u>
Total Assets		<u>147,683</u>
LIABILITIES		
Current Liabilities		
Accounts Payable		<u>28,173</u>
Total Current Liabilities		<u>28,173</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Commodities Revenue		<u>891</u>
Total Deferred Inflows of Resources		<u>891</u>
NET POSITION		
Investment in Capital Assets		17,923
Unrestricted		<u>100,696</u>
Total Net Position	\$	<u>118,619</u>

**CARLSTADT BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Business-Type Activities <u>Enterprise Fund</u> <u>Food Services</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales	
Reimbursable Programs- School Lunch Program	\$ 115,887
Non-Reimbursable Programs	52,890
Other Sales - Milk	<u>6,572</u>
 Total Operating Revenues	 <u>175,349</u>
OPERATING EXPENSES	
Salaries	78,394
Salary - Food Service Manager	19,034
Employee Benefits/Payroll Taxes	9,971
Cost of Sales - Reimbursable Programs	105,939
Cost of Sales - Non-Reimbursable Programs	19,132
Insurance	12,515
Supplies	5,583
Management Fees	32,224
Depreciation	5,660
Miscellaneous	<u>2,539</u>
 Total Operating Expenses	 <u>290,991</u>
 Operating Loss	 <u>(115,642)</u>
NONOPERATING REVENUES	
State Sources	
School Lunch Program	2,670
Federal Sources	
National School Lunch Program	82,050
Food Distribution Program	21,994
National School Breakfast Program	7,638
Interest Earned	<u>579</u>
 Total Nonoperating Revenues	 <u>114,931</u>
 Change in Net Position	 (711)
Net Position, Beginning of Year	<u>119,330</u>
Net Position, End of Year	<u>\$ 118,619</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**CARLSTADT BOARD OF EDUCATION
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Business-Type Activities <u>Enterprise Fund</u> <u>Food Services</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 175,349
Cash Payment for Salaries and Benefits	(107,399)
Cash Payments to Suppliers for Goods and Services	<u>(150,518)</u>
Net Cash Used by Operating Activities	<u>(82,568)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	<u>65,259</u>
Net Cash Provided by Noncapital Financing Activities	<u>65,259</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>579</u>
Net Cash Provided by Investing Activities	<u>579</u>
Net Increase in Cash and Cash Equivalents	(16,730)
Cash and Cash Equivalents, Beginning of Year	<u>73,309</u>
Cash and Cash Equivalents, End of Year	<u>\$ 56,579</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	<u>\$ (115,642)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	5,660
Non Cash Federal Assistance - Food Distribution Program (USDA Commodities)	21,994
Change in Assets, Liabilities and Deferred Inflows of Resources (Increase)/Decrease in Inventory	796
Increase/(Decrease) in Accounts Payable	4,540
Increase/(Decrease) in Deferred Commodities Revenue	<u>84</u>
Total Adjustments	<u>33,074</u>
Net Cash Used by Operating Activities	<u>\$ (82,568)</u>
Non-Cash Investing, Capital and Financing Activities	
Value Received for Food Distribution Program	\$ 22,078

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**CARLSTADT BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2018**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 10,517	\$ 14,872	\$ 57,775
Total Assets	<u>10,517</u>	<u>14,872</u>	<u>\$ 57,775</u>
LIABILITIES			
Intergovernmental Payable - State	\$ 10,495		
Due to Other Funds			\$ 449
Payroll Deductions and Withholdings			1,792
Due to Student Groups	<u>-</u>	<u>-</u>	<u>55,534</u>
Total Liabilities	<u>10,495</u>	<u>-</u>	<u>\$ 57,775</u>
NET POSITION			
Held in Trust for Unemployment Claims	22		
Held in Trust for Private Purpose Scholarships	<u>-</u>	<u>\$ 14,872</u>	
Total Net Position	<u>\$ 22</u>	<u>\$ 14,872</u>	

**CARLSTADT BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>
ADDITIONS		
Contributions		
Employees	\$ 16,185	
District	21,922	
Interest	<u>3</u>	\$ <u>98</u>
 Total Additions	 <u>38,110</u>	 <u>98</u>
DEDUCTIONS		
Unemployment Contributions	<u>38,107</u>	<u>-</u>
 Total Deductions	 <u>38,107</u>	 <u>-</u>
 Change in Net Position	 3	 98
Net Position, Beginning of Year	<u>19</u>	<u>14,774</u>
Net Position, End of Year	<u>\$ 22</u>	<u>\$ 14,872</u>

NOTES TO THE FINANCIAL STATEMENTS

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Carlstadt Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine 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. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Carlstadt Board of Education this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During fiscal year 2018, the District adopted the following GASB statements:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise fund. Fiduciary funds are excluded from the district-wide financial statements.

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and enterprise funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary funds which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

Additionally, the government reports the following fund types:

The *fiduciary trust funds* are used to account for resources legally held in trust for state unemployment insurance claims and for private donations for scholarship awards. All resources of the funds, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The *fiduciary agency funds* account for assets held by the District as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations and clubs for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as “internal balances”.

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year’s presentation.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property taxes, tuition, rental fees, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities inventory at year-end is reported as deferred inflows of resources.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital Assets (Continued)

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	20-50
Building Improvements	20
Heavy Equipment	10-20
Office Equipment and Furniture	7-10
Computer Equipment	5

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amount on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities inventory at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed. The other item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary funds accrue accumulated sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

7. Pensions

In the district-wide financial statements, 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 retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. 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.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

8. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Losses resulting from debt refundings are reported as deferred outflows of resources. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported including the unamortized bond premium. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2018 audited excess surplus that is required to be appropriated in the 2019/2020 original budget certified for taxes.

Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that was appropriated in the 2018/2019 original budget certified for taxes.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3).

Capital Reserve - Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2018/2019 District budget certified for taxes.

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education. (See Note 3).

Emergency Reserve – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education. (See Note 3).

CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance (Continued)*

Governmental Fund Statements (Continued)

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2018/2019 District budget certified for taxes.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

In the general operating fund and other governmental funds (debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amount are used only after the other resources have been used.

10. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. Property Taxes

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. Tuition Revenues and Expenditures

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

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

4. Proprietary Funds, Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position– governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$18,747,270 difference are as follows:

Bonds Payable	\$ 14,290,000	
Issuance Premium (to be amortized over life of debt)	<u>1,276,957</u>	
		\$ 15,566,957
Compensated Absences		75,398
Net Pension Liability		<u>3,104,915</u>
Net Adjustment to Decrease Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities		<u>\$ 18,747,270</u>

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 24, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District’s board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$701,096. The increase was funded by additional surplus appropriated, grant awards and the reappropriation of prior year general fund encumbrances. On March 20, 2018 of the current fiscal year the Board authorized and approved additional fund balance appropriations of \$200,000 from the general fund.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

B. Capital Reserve

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

Funds placed in the capital reserve 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. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017		\$ 2,518,922
Increased by:		
Interest Earnings	\$ 20	
Deposits Approved by Board Resolution	1,000,000	
Transfer of Unexpended Project Balances from Capital Outlay	<u>155,107</u>	
		<u>1,155,127</u>
		3,674,049
Decreased by:		
Withdrawals Approved by Board Resolution		<u>200,000</u>
Balance, June 30, 2018		<u>\$ 3,474,049</u>

The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan. \$898,911 of the capital reserve balance at June 30, 2018 was designated and appropriated for use in the 2018/2019 original budget certified for taxes.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve 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. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The activity of the maintenance reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017	<u>\$ 635,475</u>
Balance, June 30, 2018	<u>\$ 635,475</u>

The June 30, 2018 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$635,475.

D. Emergency Reserve

An emergency reserve account was established by the District. The accumulation of funds will be used to finance unanticipated General Fund current expenditures required for a thorough and efficient education in subsequent fiscal years.

Funds placed in the emergency reserve are restricted to finance reasonably unforeseeable costs and shall not include additional costs due to poor planning. A District may appropriate funds into the emergency reserve 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. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent or the withdrawal is included in the original budget certified for taxes to finance school security improvements to school facilities pursuant to 18A:7G-6(c)1. Pursuant to NJAC 6A:23A-14.4(A), the balance in the reserve cannot at any time exceed the greater of \$250,000 or one percent of the school district's General Fund budget as certified for taxes up to a maximum of \$1,000,000.

The activity of the emergency reserve for the fiscal year ended June 30, 2018 is as follows:

Increased by:	
Deposits Approved by Board Resolution	<u>\$ 250,000</u>
Balance, June 30, 2018	<u>\$ 250,000</u>

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2018 is \$839,959. Of this amount, \$382,489 was designated and appropriated in the 2018/2019 original budget certified for taxes and the remaining amount of \$457,470 will be appropriated in the 2019/2020 original budget certified for taxes.

NOTE 4 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC and NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2018, the book value of the Board's deposits were \$5,016,709 and bank and brokerage firm balances of the Board's deposits amounted to \$5,247,628. The Board's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>5,247,628</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2018 none of the Board's bank balances were exposed to custodial credit risk.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; 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 obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law," (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts; Local Government investment pools; 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); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2018, the Board had no outstanding investments.

B. Receivables

Receivables as of June 30, 2018 for the district's individual major funds in the aggregate are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Property Taxes	\$ 878,987			\$ 878,987
Intergovernmental-				
Federal		\$ 48,587	\$ 8,374	56,961
State	\$ 17,763	-	-	17,763
Total Receivables	<u>\$ 896,750</u>	<u>\$ 48,587</u>	<u>\$ 8,374</u>	<u>\$ 953,711</u>

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

	<u>Total</u>
Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ 8,498
Total Unearned Revenue for Governmental Funds	<u>\$ 8,498</u>

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

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

	Balance, July 1, 2017	Increases	Decreases	Balance, June 30, 2018
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 188,036			\$ 188,036
Construction in Progress	168,983	\$ 371,310	\$ (491,125)	49,168
Total Capital Assets, Not Being Depreciated	<u>357,019</u>	<u>371,310</u>	<u>(491,125)</u>	<u>237,204</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	28,098,069	491,125		28,589,194
Land Improvements	371,159			371,159
Machinery and Equipment	994,889	22,940	(151,713)	866,116
Total Capital Assets Being Depreciated	<u>29,464,117</u>	<u>514,065</u>	<u>(151,713)</u>	<u>29,826,469</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(5,832,272)	(571,472)		(6,403,744)
Land Improvements	(184,944)	(18,558)		(203,502)
Machinery and Equipment	(743,913)	(37,564)	151,713	(629,764)
Total Accumulated Depreciation	<u>(6,761,129)</u>	<u>(627,594)</u>	<u>151,713</u>	<u>(7,237,010)</u>
Total Capital Assets, Being Depreciated, Net	<u>22,702,988</u>	<u>(113,529)</u>	<u>-</u>	<u>22,589,459</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,060,007</u>	<u>\$ 257,781</u>	<u>\$ (491,125)</u>	<u>\$ 22,826,663</u>

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2018</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 84,900	-	-	\$ 84,900
Total Capital Assets Being Depreciated	<u>84,900</u>	<u>-</u>	<u>-</u>	<u>84,900</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(61,317)	\$ (5,660)	-	(66,977)
Total Accumulated Depreciation	<u>(61,317)</u>	<u>(5,660)</u>	<u>-</u>	<u>(66,977)</u>
Total Capital Assets, Being Depreciated, Net	<u>23,583</u>	<u>(5,660)</u>	<u>-</u>	<u>17,923</u>
Business-Type Activities Capital Assets, Net	<u>\$ 23,583</u>	<u>\$ (5,660)</u>	<u>\$ -</u>	<u>\$ 17,923</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

Instruction	
Regular	\$ 100,415
Total Instruction	<u>100,415</u>
Support Services	
Plant Operations and Maintenance	527,179
Total Support Services	<u>527,179</u>
Total Governmental Funds	<u>627,594</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 627,594</u>

Business-Type Activities:

Food Service Fund	\$ 5,660
Total Depreciation Expense - Business-Type Activities	<u>\$ 5,660</u>

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 13,869
General Fund	Payroll Agency Fund	449
Food Service Fund	General Fund	<u>61,431</u>
Total		<u>\$ 75,749</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year.

F. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2018 are comprised of the following issues:

\$17,075,000, 2014 Bonds, due in annual installments of \$900,000 to \$1,490,000 through May 1, 2030, interest at 3.125% to 5.000%	<u>\$14,290,000</u>
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**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-Term Debt (Continued)

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 900,000	\$ 645,788	\$ 1,545,788
2020	950,000	600,788	1,550,788
2021	995,000	553,288	1,548,288
2022	1,050,000	503,538	1,553,538
2023	1,100,000	451,038	1,551,038
2024-2028	6,370,000	1,386,340	7,756,340
2029-2030	<u>2,925,000</u>	<u>176,600</u>	<u>3,101,600</u>
Total	<u>\$ 14,290,000</u>	<u>\$ 4,317,380</u>	<u>\$ 18,607,380</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2018 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 77,781,758
Less: Net Debt	<u>14,290,000</u>
Remaining Borrowing Power	<u>\$ 63,491,758</u>

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Other Long-Term Liabilities (Continued)

Changes in Long-Term Liabilities

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

	<u>Balance,</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance,</u> <u>June 30, 2018</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 15,155,000		\$ 865,000	\$ 14,290,000	\$ 900,000
Original Issue Premium	<u>1,447,182</u>	<u>-</u>	<u>170,225</u>	<u>1,276,957</u>	<u>-</u>
 Total Bonds Payable	 16,602,182	 -	 1,035,225	 15,566,957	 900,000
Compensated Absences	88,144	\$ 774	13,520	75,398	10,200
Net Pension Liability	<u>3,953,637</u>	<u>-</u>	<u>848,722</u>	<u>3,104,915</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 20,643,963</u>	<u>\$ 774</u>	<u>\$ 1,897,467</u>	<u>\$ 18,747,270</u>	<u>\$ 910,200</u>

For the governmental activities, the liabilities for compensated absences and net pension liability are generally liquidated by the general fund.

NOTE 5 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the Northeast Bergen County School Board Insurance Group (NESBIG or Group). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims, and various other types of coverages.

The relationship between the Board and the Group is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the Group, to report claims on a timely basis, cooperate with the management of the Group, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the Group. Members have a contractual obligation to fund any deficit of the Group attributable to a membership year during which they were a member.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

NESBIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the Group are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contribution Method". Under this plan the District remits quarterly contributions to the New Jersey Unemployment Compensation Fund under a consolidated rate established annually and shared by all governmental contributory employers. The following is a summary of District contributions, employee contributions, payments to the State for quarterly contributions and the ending balance of the District's fiduciary trust fund for the current and previous two years:

<u>Fiscal Year Ended June 30,</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 21,922	\$ 16,185	\$ 38,107	\$ 22
2017	20,990	15,646	36,635	19
2016	20,931	15,041	35,979	15

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2018, the District has not estimated its arbitrage earnings due to the IRS, if any.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – 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. Membership is mandatory for such employees. PERS is a cost sharing multiple employer defined benefit pension plan.

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 reached 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 with 25 or more years of service credit before age 62, and tier 5 members 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 ten years of service credit and have not reached the service retirement age for the respective tier.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees. TPAF is a cost sharing multiple employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions.

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.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) (Continued)

The following represent 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 with 25 or more years of service credit before age 62, and tier 5 members 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 retirement for his/her respective tier. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits (“Division”), issues publicly available financial reports that include 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.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investments are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Division of Investment issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 33 percent with an unfunded actuarial accrued liability of 90.90 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 25.41 percent and \$67.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 48.10 percent and \$23.3 billion, respectively.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress (Continued)

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.00 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.34% for PERS, 7.34% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2018.

Annual Pension Costs (APC)

For the fiscal year ended June 30, 2018 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During the fiscal years ended June 30, 2018, 2017 and 2016 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2018	\$ 123,564	\$ 645,830	\$ 7,089
2017	118,592	484,685	7,562
2016	116,354	341,886	4,609

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$2,014 and \$461, respectively for PERS and the State contributed \$379 and \$354, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85, *Omnibus 2017* (GASB No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$318,081 during the fiscal 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 has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

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

To facilitate the separate actual valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer’s contribution to total employer contributions of the group for the fiscal year ended June 30, 2017.

At June 30, 2018, the District reported in the statement of net position (accrual basis) a liability of \$3,104,915 for its proportionate share of the PERS 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 proportionate share 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 governmental entities, actuarially determined. At June 30, 2017, the District’s proportionate share was .01334 percent, which was a decrease of .00001 percent from its proportionate share measured as of June 30, 2016 of .01335 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$216,128 for PERS. The pension contribution made by the District during the current 2017/2018 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2018 with a measurement date of the prior fiscal year end of June 30, 2017. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2018 for contributions made subsequent to the current fiscal year end. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 73,110	
Changes of Assumptions	625,533	\$ 623,240
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	21,142	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>736</u>	<u>28,085</u>
Total	<u>\$ 720,521</u>	<u>\$ 651,325</u>

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

At June 30, 2018, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ 64,053
2020	101,783
2021	62,560
2022	(94,048)
2023	(65,152)
Thereafter	-
	<u>\$ 69,196</u>

Actuarial Assumptions

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

	<u>PERS</u>
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 Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

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.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
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%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	5.00%
2017	June 30, 2016	3.98%

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 5.00%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 3,851,858</u>	<u>\$ 3,104,915</u>	<u>\$ 2,482,619</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2017. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. 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, 2017, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$2,012,665 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the District is \$29,053,290. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. At June 30, 2017, the state's share of the net pension liability attributable to the District was .04309 percent, which was an increase of .00039 percent from its proportionate share measured as of June 30, 2016 of .04270 percent.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

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

	<u>TPAF</u>
Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases 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.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute Return/Risk Mitigation	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
Public High Yield	2.50%	6.82%
Global Diversified Credit	5.00%	7.10%
Credit Oriented Hedge Funds	1.00%	6.60%
Debt Related Private Equity	2.00%	10.63%
Debt Related Real Estate	1.00%	6.61%
Private Real 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%

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

Fiscal Year	Measurement Date	Discount Rate
2018	June 30, 2017	4.25%
2017	June 30, 2016	3.22%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following
 Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2036
Municipal Bond Rate *	From July 1, 2036 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.25%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	\$ 34,516,220	\$ 29,053,290	\$ 24,552,905

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2017. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2017 was not provided by the pension system.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) 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. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2016:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u> -</u>
Total	<u>366,078</u>

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$69.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.5 billion for state active and retired members and \$43.8 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. 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 and 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 employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) 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 2017.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2018, 2017 and 2016 were \$417,129, \$403,853 and \$407,091, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State’s contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District’s proportionate share percentage determined under Statement No. 75 is zero percent and the State’s proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$1,190,027. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State’s proportionate share of the OPEB liability attributable to the District is \$19,778,768. The nonemployer allocation percentages are based on the ratio of the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state’s share of the OPEB liability attributable to the District was .03687 percent, which was a decrease of .00005 percent from its proportionate share measured as of June 30, 2016 of .03692 percent.

Actuarial Assumptions

The OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 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	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	RP-2014 Headcount-Weighted Healthy Employee, Healthy Annuitant and Disabled Male/Female Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year Using Scale MP-2017
Long-Term Rate of Return	1.00%

*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

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

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	3.58%
2017	June 30, 2016	2.85%

The discount rate 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2016 Measurement Date	\$ 21,351,547
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 836,498
Interest on the Total OPEB Liability	627,435
Changes of Assumptions	(2,613,061)
Gross Benefit Payments	(439,847)
Contributions from the Member	16,196
Net Changes	\$ (1,572,779)
Balance, June 30, 2017 Measurement Date	\$ 19,778,768

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2017 was not provided by the pension system.

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.58%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 23,478,825	\$ 19,778,768	\$ 16,843,848

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 5 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State’s proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability (School Retirees)	\$ 16,266,125	\$ 19,778,768	\$ 24,443,517

The sensitivity analyses were based on the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017. Sensitivity analyses specific to the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 were not provided by the pension system.

F. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential school tax revenue must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district’s local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For Carlstadt Board of Education, the District’s share of abated taxes resulting from the municipality having entered into a tax abatement agreement is indeterminate.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**CARLSTADT BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 10,547,841		\$ 10,547,841	\$ 10,547,841	
Tuition from Individuals (Preschool)	30,000		30,000	32,850	\$ 2,850
Tuition from Other LEA's				34,794	34,794
Interest				71,104	71,104
Interest on Capital Reserve Funds	20		20	20	-
Rentals	40,000		40,000	46,800	6,800
Unrestricted Miscellaneous	10,000	-	10,000	26,259	16,259
Total Local Sources	<u>10,627,861</u>	<u>-</u>	<u>10,627,861</u>	<u>10,759,668</u>	<u>131,807</u>
State Sources					
Transportation Aid	11,303		11,303	11,303	
Security Aid	24,947		24,947	24,947	
Special Education Aid	205,076		205,076	226,694	21,618
Per Pupil Growth Aid	5,980		5,980	5,980	
PARCC Readiness Aid	5,980		5,980	5,980	
Professional Learning Community Aid	5,390		5,390	5,390	
Extraordinary Aid				91,776	91,776
Lead Testing for Schools Aid				1,637	1,637
On-behalf TPAF Pension System Contributions-Normal Costs & Accrued Liabilities (Non-Budget)				630,529	630,529
On-behalf TPAF Pension System Contributions-NCGI (Non-Budget)				15,301	15,301
On-behalf TPAF Contributions-Post Retirement Medical Contributions (Non-Budget)				417,129	417,129
On-behalf TPAF Contributions-Long-Term Disability Insurance Contributions (Non-Budget)				379	379
Reimbursed TPAF Social Security Payments (Non-Budget)	-	-	-	318,081	318,081
Total State Sources	<u>258,676</u>	<u>-</u>	<u>258,676</u>	<u>1,755,126</u>	<u>1,496,450</u>
Total Revenues	<u>10,886,537</u>	<u>-</u>	<u>10,886,537</u>	<u>12,514,794</u>	<u>1,628,257</u>
EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	79,850	\$ 625	80,475	80,474	1
Kindergarten	255,904	11,467	267,371	267,371	-
Grades 1-5	1,665,477	(36,305)	1,629,172	1,629,172	-
Grades 6-8	947,950	33,228	981,178	950,382	30,796
Regular Program - Home Instruction					
Salaries of Teachers	5,525	-	5,525		5,525
Purchased Professional-Educational Services	10,000	(10,000)	-		-
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	300,361	(18,036)	282,325	282,325	-
Purchased Professional-Educational Services	48,694	(653)	48,041	48,041	-
General Supplies	166,000	49,430	215,430	209,354	6,076
Textbooks	10,000	(8,582)	1,418	1,418	-
Total Regular Programs	<u>3,489,761</u>	<u>21,174</u>	<u>3,510,935</u>	<u>3,468,537</u>	<u>42,398</u>

**CARLSTADT BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education					
Multiple Disabilities					
Salaries of Teachers	-	\$ 22,614	\$ 22,614	\$ 22,614	-
Total Multiple Disabilities	-	22,614	22,614	22,614	-
Resource Room/ Resource Center					
Salaries of Teachers	\$ 391,923	5,254	397,177	366,242	\$ 30,935
Other Salaries for Instruction	23,719	-	23,719	23,719	-
Total Resource Room	415,642	5,254	420,896	389,961	30,935
Preschool Disabilities - Full Time					
Salaries of Teachers	68,769	6,217	74,986	60,816	14,170
Other Salaries for Instruction	45,279	8,475	53,754	53,754	-
Total Preschool Disabilities - Full Time	114,048	14,692	128,740	114,570	14,170
Total Special Education	529,690	42,560	572,250	527,145	45,105
Basic Skills/Remedial					
Salaries of Teachers	111,337	30,785	142,122	124,079	18,043
Total Basic Skills/Remedial	111,337	30,785	142,122	124,079	18,043
Bilingual Education					
Salaries of Teachers	67,313	1,935	69,248	69,248	-
Total Bilingual Education	67,313	1,935	69,248	69,248	-
School Sponsored Co/Extra Curricular Activities					
Salaries	17,500	4,340	21,840	21,840	-
Supplies and Materials	8,000	-	8,000	7,708	292
Total School Sponsored Co/Extra Curricular Activities	25,500	4,340	29,840	29,548	292
Total Instruction	4,223,601	100,794	4,324,395	4,218,557	105,838
Instruction					
Tuition to Other LEAs Within the State-Special	880,658	(21,220)	859,438	769,857	89,581
Tuition to CSSD & Regional Day Schools	69,414	(4,114)	65,300	65,300	-
Tuition to Priv. Sch. For the Disabled W/I State	214,731	(46,744)	167,987	3,476	164,511
Total Undistributed Expenditures - Instruction	1,164,803	(72,078)	1,092,725	838,633	254,092

**CARLSTADT BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Attendance and Social Work Services					
Salaries	\$ 33,985	-	\$ 33,985	\$ 33,984	\$ 1
Purchased Professional and Technical Services	12,000	-	12,000	11,920	80
Total Attendance and Social Work Services	45,985	-	45,985	45,904	81
Health Services					
Salaries	108,595	-	108,595	105,426	3,169
Purchased Professional and Technical Services	4,500	-	4,500	4,000	500
Supplies and Materials	2,000	\$ 63	2,063	1,169	894
Total Health Services	115,095	63	115,158	110,595	4,563
Speech, OT, PT & Related Services					
Salaries	74,066	-	74,066	74,066	-
Purchased Professional-Educational Services	249,593	9,414	259,007	130,779	128,228
Supplies and Materials	1,000	-	1,000	464	536
Total Speech, OT, PT & Related Services	324,659	9,414	334,073	205,309	128,764
Other Support Serv. Students- Extra Serv.					
Other Objects	4,500	(2,669)	1,831	-	1,831
Total Other Support Serv. Students- Extra Serv.	4,500	(2,669)	1,831	-	1,831
Guidance					
Salaries of Other Professional Staff	62,630	-	62,630	60,091	2,539
Supplies and Materials	2,630	(88)	2,542	1,742	800
Total Guidance	65,260	(88)	65,172	61,833	3,339
Child Study Teams					
Salaries of Other Professional Staff	362,419	9,780	372,199	372,199	-
Purchased Professional-Educational Services	18,850	(9,939)	8,911	8,911	-
Other Purchased Services	500	(189)	311	311	-
Supplies and Materials	2,500	4,132	6,632	6,566	66
Other Objects	4,820	(1,028)	3,792	3,792	-
Total Child Study Teams	389,089	2,756	391,845	391,779	66
Improvement of Instructional Services					
Salaries of Other Professional Staff	92,394	6,606	99,000	99,000	-
Purchased Professional-Educational Services	60,000	(17,087)	42,913	4,800	38,113
Other Purchased Services	1,000	260	1,260	1,260	-
Other Objects	1,000	-	1,000	969	31
Total Improvement of Instructional Services	154,394	(10,221)	144,173	106,029	38,144

**CARLSTADT BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	\$ 123,656	\$ 90	\$ 123,746	\$ 123,078	\$ 668
Supplies and Materials	5,000	10,131	15,131	2,590	12,541
Total Educational Media Serv./School Library	<u>128,656</u>	<u>10,221</u>	<u>138,877</u>	<u>125,668</u>	<u>13,209</u>
Instructional Staff Training Services					
Other Purch. Professional and Technical Services	1,500	-	1,500	-	1,500
Other Purchased Services	2,000	-	2,000	290	1,710
Total Instructional Staff Training Services	<u>3,500</u>	<u>-</u>	<u>3,500</u>	<u>290</u>	<u>3,210</u>
Support Services General Administration					
Salaries	219,926	13,854	233,780	233,780	-
Legal Services	16,000	14,992	30,992	30,988	4
Audit Fees	25,000	-	25,000	24,915	85
Architectural/Engineering Services	5,000	3,025	8,025	-	8,025
Other Purchased Professional Services	8,500	-	8,500	8,215	285
Purchased Technical Services	4,300	(3,203)	1,097	1,097	-
Communications/Telephone	29,400	(789)	28,611	26,875	1,736
BOE Other Purchased Services	5,500	48	5,548	5,172	376
Misc Purchased Services	1,000	(1,000)	-	-	-
General Supplies	3,600	(2,311)	1,289	1,289	-
Miscellaneous Expenditures	2,500	258	2,758	2,758	-
BOE Membership Dues and Fees	8,500	(2,398)	6,102	5,923	179
Total Support Services General Administration	<u>329,226</u>	<u>22,476</u>	<u>351,702</u>	<u>341,012</u>	<u>10,690</u>
Support Services School Administration					
Salaries of Principal/Asst. Principals	151,844	2,706	154,550	154,550	-
Salaries of Secretarial and Clerical Assistants	87,352	904	88,256	88,256	-
Other Purchased Services	1,000	6,692	7,692	6,192	1,500
Supplies and Materials	7,200	(934)	6,266	4,267	1,999
Other Objects	5,800	(3,629)	2,171	820	1,351
Total Support Services School Administration	<u>253,196</u>	<u>5,739</u>	<u>258,935</u>	<u>254,085</u>	<u>4,850</u>
Central Services					
Salaries	206,998	(4,431)	202,567	202,567	-
Purchased Professional Services	-	600	600	600	-
Miscellaneous Purchased Services	1,700	2,626	4,326	3,981	345
Supplies and Materials	1,000	(358)	642	642	-
Miscellaneous Expenditures	2,000	365	2,365	2,365	-
Total Central Services	<u>211,698</u>	<u>(1,198)</u>	<u>210,500</u>	<u>210,155</u>	<u>345</u>

**CARLSTADT BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Admin. Info. Technology					
Salaries	\$ 71,862	\$ 238	\$ 72,100	\$ 72,100	-
Purchased Professional Services	34,000	755	34,755	34,755	-
Purchased Technical Services	7,500	(2,620)	4,880	4,822	\$ 58
Other Purchased Services	400	513	913	913	-
Supplies and Material	300	-	300	-	300
Other Objects	550	(305)	245	245	-
Total Admin. Info. Technology	<u>114,612</u>	<u>(1,419)</u>	<u>113,193</u>	<u>112,835</u>	<u>358</u>
Required Maintenance for School Facilities					
Salaries	74,078	245	74,323	74,323	-
Cleaning, Repair and Maint. Serv.	45,000	8,334	53,334	52,400	934
General Supplies	18,000	(8,215)	9,785	8,360	1,425
Total Required Maintenance for School Fac.	<u>137,078</u>	<u>364</u>	<u>137,442</u>	<u>135,083</u>	<u>2,359</u>
Custodial Services					
Salaries	231,379	12,375	243,754	243,700	54
Salaries of Non-Instructional Aides	59,940	(1,330)	58,610	49,630	8,980
Purchased Professional and Technical Services	20,000	(1,980)	18,020	10,816	7,204
Cleaning, Repair and Maint. Serv.	44,450	-	44,450	37,045	7,405
Other Purchased Property Services	55,000	(11,895)	43,105	34,027	9,078
Insurance	102,500	2,656	105,156	105,156	-
Miscellaneous Purchased Services	4,000	-	4,000	3,740	260
General Supplies	20,000	3,435	23,435	7,549	15,886
Energy (Natural Gas)	40,000	-	40,000	31,586	8,414
Energy (Electricity)	320,000	(42,766)	277,234	178,384	98,850
Other Objects	4,000	-	4,000	2,156	1,844
Total Custodial Services	<u>901,269</u>	<u>(39,505)</u>	<u>861,764</u>	<u>703,789</u>	<u>157,975</u>
Security					
Cleaning, Repair, and Maintenance Services	10,000	6,790	16,790	16,330	460
Total Security	<u>10,000</u>	<u>6,790</u>	<u>16,790</u>	<u>16,330</u>	<u>460</u>
Student Transportation Services					
Salaries For Pupil Trans (Bet Home & Sch)-Sp Ed	18,756	674	19,430	19,430	-
Contract. Svcs.(Spec Ed. Students)- Joint Agrmts	184,000	9,257	193,257	155,581	37,676
Total Student Transportation Services	<u>202,756</u>	<u>9,931</u>	<u>212,687</u>	<u>175,011</u>	<u>37,676</u>

**CARLSTADT BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Unallocated Benefits - Employee Benefits					
Group Insurance	\$ 10,000	\$ (674)	\$ 9,326	\$ 2,627	\$ 6,699
Social Security Contributions	110,000	6,145	116,145	116,145	-
Other Retirement Contributions-PERS	126,000	-	126,000	125,578	422
Other Retirement Contributions - Regular (DCRP)	6,000	1,089	7,089	7,089	-
Unemployment Compensation	27,500	278	27,778	22,200	5,578
Workmen's Compensation	67,500	(277)	67,223	38,923	28,300
Health Benefits	1,865,455	(15,431)	1,850,024	1,265,174	584,850
Tuition Reimbursement	15,000	18,300	33,300	33,300	-
Other Employee Benefits	51,000	21,610	72,610	57,051	15,559
Total Unallocated Benefits - Employee Benefits	2,278,455	31,040	2,309,495	1,668,087	641,408
On-behalf TPAF Pension System Contributions- Normal Costs & Accrued Liability (Non-Budget)				630,529	(630,529)
On-behalf TPAF Pension System Contributions-NCGI Cost (Non-Budget)				15,301	(15,301)
On-behalf TPAF Contributions-Post Retirement Medical Contributions (Non-Budget)				417,129	(417,129)
On-behalf TPAF Contributions-Long-Term Disability Insurance Contributions (Non-Budget)				379	(379)
Reimbursed TPAF Social Security Payments (Non-Budget)	-	-	-	318,081	(318,081)
Total Undistributed Expenditures	6,834,231	(28,384)	6,805,847	6,883,846	(77,999)
Total Expenditures - Current Expenditures	11,057,832	72,410	11,130,242	11,102,403	27,839
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	20	-	20	-	20
Equipment					
Undistributed Expenditures-Instruction	20,000	-	20,000	-	20,000
Total Equipment	20,000	-	20,000	-	20,000
Facilities Acquisition and Construction Services					
Legal Services	50,000	11,367	61,367	9,984	51,383
Architectural/Engineering Services		247,191	247,191	55,310	191,881
Construction Services	50,000	291,930	341,930	325,530	16,400
Assessment for Debt Service on SDA Funding	36,191	-	36,191	36,191	-
Total Facilities Acquisition and Construction Services	136,191	550,488	686,679	427,015	259,664
Total Capital Outlay	156,211	550,488	706,699	427,015	279,684

**CARLSTADT BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
TRANSFER OF FUNDS TO CHARTER SCHOOL	\$ 17,359	-	\$ 17,359	-	\$ 17,359
Total Expenditures	11,231,402	\$ 622,898	11,854,300	\$ 11,529,418	324,882
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(344,865)	(622,898)	(967,763)	985,376	1,953,139
Fund Balance, Beginning of Year	4,687,552	-	4,687,552	4,687,552	-
Fund Balance, End of Year	\$ 4,342,687	\$ (622,898)	\$ 3,719,789	\$ 5,672,928	\$ 1,953,139

Recapitulation of Fund Balance

Restricted Fund Balance					
Excess Surplus - Designated for Subsequent Year's Expenditures (2018/19 Budget)				\$ 382,489	
Excess Surplus				457,470	
Capital Reserve - Designated for Subsequent Year's Expenditures (2018/19 Budget)				898,911	
Capital Reserve				2,575,138	
Maintenance Reserve				635,475	
Emergency Reserve				250,000	
Assigned Fund Balance					
Year-End Encumbrances				110,051	
Designated for Subsequent Year's Expenditures (2018/19 Budget)				21,618	
Unassigned Fund Balance				341,776	
Reconciliation to Governmental Funds Statements (GAAP):				5,672,928	
Less: Final State Aid Payments Not Recognized on GAAP Basis					
2017/2018 Extraordinary Aid not Recognized in a GAAP Basis			\$ (91,776)		
2017/2018 State Aid Payments not Recognized in a GAAP Basis			(18,383)		
				(110,159)	
Fund Balance Per Governmental Funds (GAAP)				\$ 5,562,769	

**CARLSTADT BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Federal	\$ 204,330	\$ 77,198	\$ 281,528	\$ 269,079	\$ (12,449)
Local Sources					
Miscellaneous	-	1,000	1,000	919	(81)
Total Revenues	<u>204,330</u>	<u>78,198</u>	<u>282,528</u>	<u>269,998</u>	<u>(12,530)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	75,131	(12,150)	62,981	62,981	-
Purchased Professional-Educational Services		2,000	2,000	213	1,787
Tuition	112,364	33,581	145,945	145,945	-
General Supplies	5,756	2,589	8,345	7,587	758
Other Objects	-	1,000	1,000	-	1,000
Total Instruction	<u>193,251</u>	<u>27,020</u>	<u>220,271</u>	<u>216,726</u>	<u>3,545</u>
Support Services					
Personal Services-Employee Benefits		17,333	17,333	17,219	114
Purchased Professional and Technical Services		22,253	22,253	22,253	-
Purchased Professional-Educational Services	11,079	10,092	21,171	13,773	7,398
Supplies and Materials	-	1,500	1,500	27	1,473
Total Support Services	<u>11,079</u>	<u>51,178</u>	<u>62,257</u>	<u>53,272</u>	<u>8,985</u>
Total Expenditures	<u>204,330</u>	<u>78,198</u>	<u>282,528</u>	<u>269,998</u>	<u>12,530</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**CARLSTADT BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of 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.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	General Fund		Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 12,514,794		(C-2) \$ 269,998
Difference - Budget to GAAP:			
State Aid payments recognized for GAAP purposes, not recognized for Budgetary statements (2016/2017) State Aid and Extraordinary Aid)	141,290		
State Aid payment recognized for Budgetary purposes, not recognized for GAAP statements (2017/2018) State Aid and Extraordinary Aid)	<u>(110,159)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2) \$ <u>12,545,925</u>		(B-2) \$ <u>269,998</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ <u>11,529,418</u>		(C-2) \$ <u>269,998</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>11,529,418</u>		(B-2) \$ <u>269,998</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III
PENSION AND POST-EMPLOYMENT BENEFITS INFORMATION

**CARLSTADT BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.01334%	0.01335%	0.01353%	0.01353%	0.01356%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 3,104,915</u>	<u>\$ 3,953,637</u>	<u>\$ 3,038,057</u>	<u>\$ 2,532,383</u>	<u>\$ 2,591,970</u>
District's Covered-Employee Payroll	\$ 917,750	\$ 889,505	\$ 896,630	\$ 842,069	\$ 936,288
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	338.32%	444.48%	338.83%	300.73%	276.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**CARLSTADT BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 123,564	\$ 118,592	\$ 116,354	\$ 111,504	\$ 102,187
Contributions in Relation to the Contractually Required Contribution	<u>123,564</u>	<u>118,592</u>	<u>116,354</u>	<u>111,504</u>	<u>102,187</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 917,750	\$ 889,505	\$ 896,630	\$ 842,069	\$ 936,288
Contributions as a Percentage of Covered-Employee Payroll	13.46%	13.33%	12.98%	13.24%	10.91%

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This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**CARLSTADT BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	0	0	0	0	0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$29,053,290</u>	<u>\$33,591,929</u>	<u>\$27,651,224</u>	<u>\$24,571,061</u>	<u>\$21,570,040</u>
Total	<u>\$29,053,290</u>	<u>\$33,591,929</u>	<u>\$27,651,224</u>	<u>\$24,571,061</u>	<u>\$21,570,040</u>
District's Covered-Employee Payroll	\$ 4,334,462	\$ 4,294,039	\$ 4,450,321	\$ 4,295,933	\$ 4,380,974
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**CARLSTADT BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4D.

**CARLSTADT BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY**

Postemployment Health Benefit Plan

Last One Fiscal Year*

	2018
Total OPEB Liability	
Service Cost	\$ 836,498
Interest on Total OPEB Liability	627,435
Changes of Assumptions	(2,613,061)
Gross Benefit Payments	(439,847)
Contribution from the Member	16,196
Net Change in Total OPEB Liability	(1,572,779)
Total OPEB Liability - Beginning	21,351,547
Total OPEB Liability - Ending	\$ 19,778,768
District's Proportionate Share of OPEB Liability	\$0
State's Proportionate Share of OPEB Liability	19,778,768
Total OPEB Liability - Ending	\$ 19,778,768
District's Covered-Employee Payroll	\$ 5,252,212
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

*The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**CARLSTADT BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 5E.

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

**CARLSTADT BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>NCLB Title I</u>	<u>NCLB Title II-A</u>	<u>NCLB Title III</u>	<u>NCLB Title IV</u>	<u>Local Grants</u>	<u>IDEA Basic</u>	<u>IDEA Preschool</u>	<u>Total</u>
REVENUES								
Intergovernmental								
Local					\$ 919			\$ 919
Federal	\$ 100,994	\$ 5,718	\$ 9,541	\$ 6,881	-	\$ 139,431	\$ 6,514	\$ 269,079
Total Revenues	<u>\$ 100,994</u>	<u>\$ 5,718</u>	<u>\$ 9,541</u>	<u>\$ 6,881</u>	<u>\$ 919</u>	<u>\$ 139,431</u>	<u>\$ 6,514</u>	<u>\$ 269,998</u>
EXPENDITURES								
Instruction								
Salaries of Teachers	\$ 61,495		\$ 1,486					\$ 62,981
Purchased Professional-Education Services				\$ 213				213
Tuition - Other Purchased Services						\$ 139,431	\$ 6,514	145,945
General Supplies	-	-	-	6,668	\$ 919	-	-	7,587
Total Instruction	<u>61,495</u>	<u>-</u>	<u>1,486</u>	<u>6,881</u>	<u>919</u>	<u>139,431</u>	<u>6,514</u>	<u>216,726</u>
Support Services								
Personnel Services - Employee Benefits	17,219							17,219
Purchased Professional and Technical Services	22,253							22,253
Purchased Professional-Education Services		\$ 5,718	8,055					13,773
Supplies and Materials	27	-	-	-	-	-	-	27
Total Support Services	<u>39,499</u>	<u>5,718</u>	<u>8,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,272</u>
Total Expenditures	<u>\$ 100,994</u>	<u>\$ 5,718</u>	<u>\$ 9,541</u>	<u>\$ 6,881</u>	<u>\$ 919</u>	<u>\$ 139,431</u>	<u>\$ 6,514</u>	<u>\$ 269,998</u>

**SCHEDULE OF PRESCHOOL PROGRAM AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**CARLSTADT BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**CARLSTADT BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

ENTERPRISE FUND

EXHIBIT G-1

**CARLSTADT BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**CARLSTADT BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2018**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 55,534	\$ 2,241	\$ 57,775
Total Assets	<u>\$ 55,534</u>	<u>\$ 2,241</u>	<u>\$ 57,775</u>
LIABILITIES			
Due to Other Funds		\$ 449	\$ 449
Payroll Deductions and Withholdings		1,792	1,792
Due to Student Groups	<u>\$ 55,534</u>	<u>-</u>	<u>55,534</u>
Total Liabilities	<u>\$ 55,534</u>	<u>\$ 2,241</u>	<u>\$ 57,775</u>

**CARLSTADT BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

THIS STATEMENT IS NOT APPLICABLE

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Balance, July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2018</u>
ELEMENTARY/MIDDLE SCHOOL				
Carlstadt School Fund	\$ 61,108	\$ 66,269	\$ 71,843	\$ 55,534
Total	<u>\$ 61,108</u>	<u>\$ 66,269</u>	<u>\$ 71,843</u>	<u>\$ 55,534</u>

**CARLSTADT BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Balance, June 30, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2018</u>
ASSETS				
Cash	\$ 1,808	\$ 6,660,794	\$ 6,660,361	\$ 2,241
Total Assets	<u>\$ 1,808</u>	<u>\$ 6,660,794</u>	<u>\$ 6,660,361</u>	<u>\$ 2,241</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 1,441	\$ 3,134,206	\$ 3,133,855	\$ 1,792
Accrued Salaries and Wages		3,525,385	3,525,385	
Due to Other Funds	<u>367</u>	<u>1,203</u>	<u>1,121</u>	<u>449</u>
Total Liabilities	<u>\$ 1,808</u>	<u>\$ 6,660,794</u>	<u>\$ 6,660,361</u>	<u>\$ 2,241</u>

LONG-TERM DEBT

**CARLSTADT BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, June 30, 2017</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>				
2014 Refunding Bonds	8/15/2014	\$ 17,075,000	5/1/2019	\$ 900,000	5.000 %			
			5/1/2020	950,000	5.000			
			5/1/2021	995,000	5.000			
			5/1/2022	1,050,000	5.000			
			5/1/2023	1,100,000	5.000			
			5/1/2024	1,155,000	5.000			
			5/1/2025	1,215,000	5.000			
			5/1/2026	1,270,000	5.000			
			5/1/2027	1,340,000	4.000			
			5/1/2028	1,390,000	3.125			
			5/1/2029	1,435,000	4.000			
			5/1/2030	1,490,000	4.000	\$ 15,155,000	\$ 865,000	\$ 14,290,000
						Totals	\$ 865,000	\$ 14,290,000
							Paid by Budget Appropriation	\$ 865,000

**CARLSTADT BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**CARLSTADT BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

REVENUES	Original Budget	Adjustments	Final Budget	Actual	Variance Final to Actual
Local Sources					
Local Tax Levy	\$ 1,545,388	-	\$ 1,545,388	\$ 1,545,388	-
Total Revenues	<u>1,545,388</u>	<u>-</u>	<u>1,545,388</u>	<u>1,545,388</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	865,000	-	865,000	865,000	
Interest	<u>680,388</u>	<u>-</u>	<u>680,388</u>	<u>680,388</u>	<u>-</u>
Total Expenditures	<u>1,545,388</u>	<u>-</u>	<u>1,545,388</u>	<u>1,545,388</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. J-16 to J-20

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

CARLSTADT BOARD OF EDUCATION
NET POSITION BY COMPONENT,
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 5,192,883	\$ 5,300,976	\$ 5,244,675	\$ 5,461,934	\$ 5,656,821	\$ 5,831,190	\$ 6,254,163	\$ 6,549,520	\$ 7,033,392	\$ 7,767,572
Restricted	16,522	12,122	12,998	242,998	418,012	738,032	1,316,867	2,670,611	3,154,397	4,109,524
Unrestricted	(92,680)	(158,324)	342,738	225,134	406,502	(1,817,336)	(1,849,334)	(1,887,631)	(1,752,832)	(1,765,503)
Total Governmental Activities Net Position	<u>\$ 5,116,725</u>	<u>\$ 5,154,774</u>	<u>\$ 5,600,411</u>	<u>\$ 5,930,066</u>	<u>\$ 6,481,335</u>	<u>\$ 4,751,886</u>	<u>\$ 5,721,696</u>	<u>\$ 7,332,500</u>	<u>\$ 8,434,957</u>	<u>\$ 10,111,593</u>
Business-type Activities										
Net Investment in Capital Assets	\$ 78,603	\$ 63,203	\$ 57,543	\$ 51,883	\$ 46,223	\$ 40,563	\$ 34,903	\$ 29,243	\$ 23,583	\$ 17,923
Unrestricted	14,230	35,691	58,210	86,115	60,525	80,367	86,480	89,970	95,747	100,696
Total Business-Type Activities Net Position	<u>\$ 92,833</u>	<u>\$ 98,894</u>	<u>\$ 115,753</u>	<u>\$ 137,998</u>	<u>\$ 106,748</u>	<u>\$ 120,930</u>	<u>\$ 121,383</u>	<u>\$ 119,213</u>	<u>\$ 119,330</u>	<u>\$ 118,619</u>
District-wide										
Net Investment in Capital Assets	\$ 5,271,486	\$ 5,364,179	\$ 5,302,218	\$ 5,513,817	\$ 5,703,044	\$ 5,871,753	\$ 6,289,066	\$ 6,578,763	\$ 7,056,975	\$ 7,785,495
Restricted	16,522	12,122	12,998	242,998	418,012	738,032	1,316,867	2,670,611	3,154,397	4,109,524
Unrestricted	(78,450)	(122,633)	400,948	311,249	467,027	(1,736,969)	(1,762,854)	(1,797,661)	(1,657,085)	(1,664,807)
Total District Net Position	<u>\$ 5,209,558</u>	<u>\$ 5,253,668</u>	<u>\$ 5,716,164</u>	<u>\$ 6,068,064</u>	<u>\$ 6,588,083</u>	<u>\$ 4,872,816</u>	<u>\$ 5,843,079</u>	<u>\$ 7,451,713</u>	<u>\$ 8,554,287</u>	<u>\$ 10,230,212</u>

Note 1 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions".

Source: District financial statements

**CARLSTADT BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 4,870,074	\$ 4,921,499	\$ 4,946,784	\$ 5,187,427	\$ 5,948,088	\$ 5,614,358	\$ 6,301,616	\$ 6,472,470	\$ 7,011,339	\$ 6,960,672
Special Education	1,464,019	1,239,255	1,041,124	1,284,951	1,257,712	1,278,303	1,423,547	1,571,026	2,070,018	2,060,410
Other Instruction	430,879	233,466	114,477	312,235	252,509	317,366	313,678	318,631	334,511	396,040
School Sponsored Activities and Athletics	23,320	26,782	24,084	19,583	26,917	32,106	39,603	49,051	59,056	52,280
Community Service Programs		40,000								
Support Services:										
Student & Instruction Related Services	793,598	1,140,575	1,061,883	979,154	1,072,946	1,188,084	1,358,375	1,361,539	1,493,045	1,555,620
School Administrative Services	414,706	342,746	317,607	321,801	329,949	313,240	363,485	384,786	437,089	462,967
General Administration	360,938	351,870	404,109	433,145	438,073	526,629	788,610	472,367	487,572	514,378
Plant Operations and Maintenance	1,544,963	1,506,301	1,526,383	1,550,582	999,440	1,090,672	1,526,763	1,808,890	1,598,503	1,591,937
Pupil Transportation	199,963	199,780	194,250	181,371	125,624	157,626	201,727	163,966	217,035	185,581
Business/Central Svc./Admin. Info.	243,635	457,726	454,975	409,172	395,054	407,947	406,950	401,993	455,254	472,426
Interest on Long-Term Debt	1,011,375	985,125	957,124	927,873	896,602	865,379	449,932	601,477	587,731	572,097
Total Governmental Activities Expenses	11,357,470	11,445,125	11,042,800	11,607,294	11,742,914	11,791,710	13,174,286	13,606,196	14,751,153	14,824,408
Business-Type Activities:										
Food service	250,371	245,682	258,326	285,404	348,993	297,155	291,652	311,145	310,098	290,991
Total Business-Type Activities Expense	250,371	245,682	258,326	285,404	348,993	297,155	291,652	311,145	310,098	290,991
Total District Expenses	\$ 11,607,841	\$ 11,690,807	\$ 11,301,126	\$ 11,892,698	\$ 12,091,907	\$ 12,088,865	\$ 13,465,938	\$ 13,917,341	\$ 15,061,251	\$ 15,115,399
Program Revenues										
Governmental Activities:										
Charges for Services	\$ 43,876	\$ 55,601	\$ 106,667	\$ 39,400	\$ 48,375	\$ 73,600	\$ 80,050	\$ 106,657	\$ 98,738	\$ 114,444
Operating Grants and Contributions	1,238,975	1,386,606	937,791	1,257,255	1,457,898	1,444,947	2,609,790	3,046,369	3,904,299	4,190,206
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	1,282,851	\$ 1,442,207	\$ 1,044,458	\$ 1,296,655	\$ 1,506,273	\$ 1,518,547	\$ 2,689,840	\$ 3,153,026	\$ 4,003,037	\$ 4,304,650
Business-Type Activities:										
Charges for services										
Food Service	\$ 191,060	\$ 187,389	\$ 195,964	\$ 207,542	\$ 202,079	\$ 190,108	\$ 176,503	\$ 183,292	\$ 183,802	\$ 175,349
Operating Grants and Contributions	57,669	74,082	79,198	100,089	115,494	121,100	115,453	125,512	126,185	114,352
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Business Type Activities Program Revenues	248,729	261,471	275,162	307,631	317,573	311,208	291,956	308,804	309,987	289,701
Total District Program Revenues	\$ 1,531,580	\$ 1,703,678	\$ 1,319,620	\$ 1,604,286	\$ 1,823,846	\$ 1,829,755	\$ 2,981,796	\$ 3,461,830	\$ 4,313,024	\$ 4,594,351
Net (Expense)/Revenue										
Governmental Activities	\$ (10,074,619)	\$ (10,002,918)	\$ (9,998,342)	\$ (10,310,639)	\$ (10,236,641)	\$ (10,273,163)	\$ (10,484,446)	\$ (10,453,170)	\$ (10,748,116)	\$ (10,519,758)
Business-Type Activities	(1,642)	15,789	16,836	22,227	(31,420)	14,053	304	(2,341)	(111)	(1,290)
Total District-Wide Net Expense	\$ (10,076,261)	\$ (9,987,129)	\$ (9,981,506)	\$ (10,288,412)	\$ (10,268,061)	\$ (10,259,110)	\$ (10,484,142)	\$ (10,455,511)	\$ (10,748,227)	\$ (10,521,048)

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CARLSTADT BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes levied for general purposes, net	\$ 7,997,855	\$ 8,380,526	\$ 8,765,178	\$ 8,940,482	\$ 9,093,292	\$ 9,414,158	\$ 9,737,812	\$ 10,071,271	\$ 10,272,696	\$ 10,547,841
Property taxes levied for debt service	1,651,221	1,655,621	1,658,821	1,660,821	1,666,621	1,671,021	1,672,021	1,538,861	1,532,308	1,545,388
Unrestricted grants and contributions	2,778	2,259	248				5,424	6,205	6,117	5,782
Investment earnings	8,047	1,661	3,738	3,990	3,484	4,207	6,031	7,613	16,386	71,124
Miscellaneous income	27,799	14,984	15,994	35,001	24,513	46,298	32,968	440,024	23,066	26,259
Transfers										
Loss on Disposal of Capital Assets										
Total Governmental Activities	<u>9,687,700</u>	<u>10,055,051</u>	<u>10,443,979</u>	<u>10,640,294</u>	<u>10,787,910</u>	<u>11,135,684</u>	<u>11,454,256</u>	<u>12,063,974</u>	<u>11,850,573</u>	<u>12,196,394</u>
Business-Type Activities:										
Investment earnings	167	12	23	18	170	129	149	171	228	579
Transfers										
Total Business-Type Activities	<u>167</u>	<u>12</u>	<u>23</u>	<u>18</u>	<u>170</u>	<u>129</u>	<u>149</u>	<u>171</u>	<u>228</u>	<u>579</u>
Total District-Wide	<u>\$ 9,687,867</u>	<u>\$ 10,055,063</u>	<u>\$ 10,444,002</u>	<u>\$ 10,640,312</u>	<u>\$ 10,788,080</u>	<u>\$ 11,135,813</u>	<u>\$ 11,454,405</u>	<u>\$ 12,064,145</u>	<u>\$ 11,850,801</u>	<u>\$ 12,196,973</u>
Change in Net Position										
Governmental Activities	\$ (386,919)	\$ 52,133	\$ 445,637	\$ 329,655	\$ 551,269	\$ 862,521	\$ 969,810	\$ 1,610,804	\$ 1,102,457	\$ 1,676,636
Business-Type Activities	(1,475)	15,801	16,859	22,245	(31,250)	14,182	453	(2,170)	117	(711)
Total District	<u>\$ (388,394)</u>	<u>\$ 67,934</u>	<u>\$ 462,496</u>	<u>\$ 351,900</u>	<u>\$ 520,019</u>	<u>\$ 876,703</u>	<u>\$ 970,263</u>	<u>\$ 1,608,634</u>	<u>\$ 1,102,574</u>	<u>\$ 1,675,925</u>

CARLSTADT BOARD OF EDUCATION
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (Unaudited)
 (modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 16,336	\$ 19,593								
Unreserved	80,784	78,883								
Restricted			\$ 104,236	\$ 374,960	\$ 693,267	\$ 1,287,428	\$ 1,997,590	\$ 3,352,211	\$ 3,881,751	\$ 5,199,483
Committed								14,721	333,035	
Assigned			99,145	21,054	77,268	170,619	56,926	61,713	89,863	131,669
Unassigned			250,000	248,738	242,373	248,794	226,577	236,057	241,613	231,617
Total General Fund	<u>\$ 97,120</u>	<u>\$ 98,476</u>	<u>\$ 453,381</u>	<u>\$ 644,752</u>	<u>\$ 1,012,908</u>	<u>\$ 1,706,841</u>	<u>\$ 2,281,093</u>	<u>\$ 3,664,702</u>	<u>\$ 4,546,262</u>	<u>\$ 5,562,769</u>
All Other Governmental Funds										
Reserved	\$ 152,500	\$ 11,500								
Unreserved	614,706	375,336								
Restricted			\$ 134,619	\$ 63,685	\$ 9,044	\$ 877	\$ 9,007	\$ 8,130		
Committed										
Assigned										
Unassigned										
Total All Other Governmental Funds	<u>\$ 767,206</u>	<u>\$ 386,836</u>	<u>\$ 134,619</u>	<u>\$ 63,685</u>	<u>\$ 9,044</u>	<u>\$ 877</u>	<u>\$ 9,007</u>	<u>\$ 8,130</u>	<u>\$ -</u>	<u>\$ -</u>

Source: District financial statements

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

CARLSTADT BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property Tax levy	\$ 9,649,076	\$ 10,036,147	\$ 10,423,999	\$ 10,601,303	\$ 10,759,913	\$ 11,085,179	\$ 11,409,833	\$ 11,610,132	\$ 11,805,004	\$ 12,093,229
Interest Earnings	8,047	1,661	3,738	3,990	3,484	4,207	6,031	7,613	16,386	71,124
Miscellaneous	27,799	15,534	55,950	77,467	72,888	122,289	114,018	547,654	137,685	141,622
State Sources	1,028,518	1,079,800	665,419	984,907	1,223,141	1,181,949	1,250,945	1,439,934	1,585,071	1,786,257
Federal Sources	213,235	308,515	272,620	269,282	234,757	260,607	277,638	265,197	270,183	269,079
Total Revenues	10,926,675	11,441,657	11,421,726	11,936,949	12,294,183	12,654,231	13,058,465	13,870,530	13,814,329	14,361,311
Expenditures										
Instruction										
Regular Instruction	4,749,089	4,853,027	4,878,455	5,080,080	5,374,388	5,052,526	5,274,372	5,285,357	5,277,159	5,388,314
Special Education Instruction	1,459,747	1,239,255	1,051,845	1,284,951	1,257,712	1,278,303	1,303,584	1,423,526	1,822,446	1,816,574
Other Instruction	439,491	233,466	114,477	312,235	252,509	317,366	276,480	268,301	256,964	306,615
School Sponsored Activities and Athletics	22,983	26,782	24,084	19,583	26,917	32,106	34,449	41,082	46,266	42,178
Community Service Programs		40,000								
Support Services:										
Student & Inst. Related Services	800,478	1,139,326	1,066,322	979,154	1,072,946	1,188,084	1,358,375	1,323,855	1,376,350	1,399,660
General Administrative	358,193	387,351	395,497	433,145	438,073	512,734	607,616	461,718	455,924	472,365
School Administrative Services	439,272	344,942	326,219	321,801	329,949	313,240	326,442	332,955	348,993	375,618
Plant Operations and Maintenance	999,639	936,718	942,845	979,321	892,633	983,936	974,973	1,240,196	1,016,119	998,687
Pupil Transportation	199,963	199,780	194,250	181,371	125,624	157,626	201,727	163,126	214,449	182,090
Business Svcs./Central Svcs/Admin. Info. Tech.	197,346	415,614	390,882	409,172	395,054	407,947	406,950	389,905	416,808	423,065
Capital outlay	267,672	311,077	251,713	131,250	125,347	49,639	47,224	18,039	168,983	394,250
Debt service:										
Principal	659,607	689,657	720,658	751,710	787,814	803,913	1,110,000	810,000	835,000	865,000
Interest and other charges	1,015,642	989,592	961,791	932,739	901,702	871,045	558,323	729,738	705,438	680,388
Advanced Refunding Escrow							792,328			
Cost of Issuance on Refunded Bonds	-	-	-	-	-	-	163,436	-	-	-
Total Expenditures	11,609,122	11,806,587	11,319,038	11,816,512	11,980,668	11,968,465	13,436,279	12,487,798	12,940,899	13,344,804
Excess (Deficiency) of Revenues over (under) Expenditures	(682,447)	(364,930)	102,688	120,437	313,515	685,766	(377,814)	1,382,732	873,430	1,016,507
Other Financing sources (uses)										
Payments to Refunded Bond Escrow Agent							(18,107,000)			
Refunding Bond Proceeds							17,075,000			
Premium on Issuance of Refunding Bonds							1,992,196			
Capital Leases	64,919									
Transfers in	2,432	637	876	198	93	9	25	8	-	-
Transfers out	(2,432)	(637)	(876)	(198)	(93)	(9)	(25)	(8)	-	-
Total Other Financing Sources (Uses)	64,919	-	-	-	-	-	960,196	-	-	-
Net Change in Fund Balances	\$ (617,528)	\$ (364,930)	\$ 102,688	\$ 120,437	\$ 313,515	\$ 685,766	\$ 582,382	\$ 1,382,732	\$ 873,430	\$ 1,016,507
Debt service as a percentage of noncapital expenditures	14.77%	14.61%	15.20%	14.42%	14.25%	14.05%	19.60%	14.09%	13.72%	13.55%

* Noncapital expenditures are total expenditures less capital outlay and debt service.

Source: District financial statements

**CARLSTADT BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>Interest Earned</u>	<u>Tuition</u>	<u>Rentals</u>	<u>Refunds/ Reimbursements</u>	<u>Book Fines</u>	<u>Insurance Settlement</u>	<u>Legal Settlement</u>	<u>E-Rate</u>	<u>Miscellaneous</u>	<u>Total</u>
2009	\$ 4,628								\$ 1,761	\$ 6,389
2010	1,024			\$ 14,583	\$ 122				279	16,008
2011	2,862	\$ 39,956							15,994	58,812
2012	3,792	39,400							35,001	78,193
2013	3,391	48,375						\$ 15,595	4,215	71,576
2014	4,198	33,600	\$ 40,000					17,126	29,172	124,096
2015	6,006	35,750	44,300	1,685				18,758	12,525	119,024
2016	7,605	61,537	45,120				\$ 410,000		30,024	554,286
2017	16,386	52,785	45,953	11,107				8,078	3,881	138,190
2018	71,124	67,644	46,800	12,768				10,519	2,972	211,827

**CARLSTADT BOARD OF EDUCATION
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)**

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2009	\$ 17,166,930	\$ 245,689,007			\$ 192,848,910	\$ 501,540,188	\$ 5,691,900	\$ 962,936,935	\$ 1,948,795	\$ 964,885,730	\$ 2,599,309,481	\$ 1.041
2010	18,265,130	246,979,407			191,699,410	491,574,688	5,691,900	954,210,535	1,865,607	956,076,142	2,692,987,959	1.090
2011	18,162,930	246,384,007			173,503,810	488,209,888	5,691,900	931,952,535	1,813,445	933,765,980	2,258,731,302	1.135
2012	19,242,430	245,690,007			160,241,410	488,367,588	5,691,900	919,233,335	1,813,445	921,046,780	1,987,627,519	1.169
*2013	34,305,800	515,816,100			377,826,200	1,062,832,900	12,522,700	2,003,303,700	3,783,126	2,007,086,826	2,016,315,081	0.553
2014	31,223,500	514,640,900			373,118,400	1,087,516,700	12,522,700	2,019,022,200	3,613,428	2,022,635,628	1,932,600,159	0.565
2015	33,288,000	512,603,600			361,637,400	1,083,418,000	12,497,700	2,003,444,700	3,753,851	2,007,198,551	2,058,775,005	0.578
2016	30,238,700	512,535,900			337,670,700	1,085,006,205	12,497,700	1,977,949,205	3,473,074	1,981,422,279	2,187,721,816	0.596
2017	26,542,600	558,534,900			401,686,300	1,248,209,800	12,256,700	2,247,230,300	3,837,014	2,251,067,314	2,290,376,074	0.538
2018	27,363,800	570,090,500			386,003,900	1,313,982,000	12,607,300	2,310,047,500	3,837,014	2,313,884,514	2,327,118,392	0.533

Source: County Abstract of Ratables

^a Tax rates are per \$100

* The Borough underwent a revaluation effective calendar year 2013.

CARLSTADT BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(Unaudited)
(rate per \$100 of assessed value)

Overlapping Rates							
Calendar Year	Total Direct School Tax Rate	Regional School District	Municipality	Municipal Library	County	Total Direct and Overlapping Tax Rate	
2009	\$ 1.041	\$ 0.595	\$ 1.688		\$ 0.504	\$ 3.828	
2010	1.090	0.636	1.727		0.548	4.001	
2011	1.135	0.617	1.685	\$ 0.083	0.495	4.015	
2012	1.169	0.634	1.767	0.078	0.497	4.145	
* 2013	0.553	0.297	0.880	0.033	0.219	1.982	
2014	0.565	0.306	0.884	0.031	0.205	1.991	
2015	0.578	0.316	0.896	0.034	0.246	2.070	
2016	0.596	0.364	0.869	0.036	0.261	2.126	
2017	0.538	0.324	0.763	0.034	0.247	1.906	
2018	0.533	0.322	0.780	0.048	0.239	1.922	

Source: Municipal Tax Collector

* The Borough underwent a revaluation effective calendar year 2013

Note: Bergen County Board of Taxation certifies only the total tax rate of each taxing entity and the combined total tax rate of the respective municipality

**CARLSTADT BOARD OF EDUCATION
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

Taxpayer	2018		2009	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Russo	\$ 307,637,100	13.3%		
AMB Properties	117,024,500	5.1%		
Trans Con Pipe Line	54,190,200	2.3%		
Prologis	50,025,100	2.2%		
ICON US Industrial	48,256,100	2.1%		
Starke Commercial Center	35,083,000	1.5%		
I&G Direct	34,257,000	1.5%		
Plank Pat. Realty	22,003,800	1.0%		
455 Sixteenth St. LLC	19,390,000	0.8%		
Thumann, Inc.	12,551,500	0.5%		
	<u>\$ 700,418,300</u>	<u>31.1%</u>		
Trans Con Pipe Line			\$ 43,926,600	4.6%
Prologis Trust			42,153,000	4.4%
AMB Properties			41,918,200	4.3%
Barell Assoc.			8,749,200	0.9%
Plank Pat. Realty			8,507,000	0.9%
455 Sixteenth St. LLC			7,750,000	0.8%
A.G. Holdings			5,825,000	0.6%
Kindergan/Jomike & Mijack			5,400,000	0.6%
Individual Taxpayer			200,000	0.0%
			<u>\$ 164,429,000</u>	<u>17.04%</u>

Source: Municipal Tax Assessor

**CARLSTADT BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 9,649,076	\$ 9,649,076	100.00%	
2010	10,036,147	10,036,147	100.00%	
2011	10,423,999	10,423,999	100.00%	
2012	10,601,303	10,601,303	100.00%	
2013	10,759,913	10,759,913	100.00%	
2014	11,085,179	11,085,179	100.00%	
2015	11,409,833	11,409,833	100.00%	
2016	11,610,132	11,610,132	100.00%	
2017	11,805,004	11,805,004	100.00%	
2018	12,093,229	11,214,242	92.73%	\$ 878,987

Source: District financial records

**CARLSTADT BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	<u>Total District</u>	<u>Population</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Capital Leases</u>			
2009	\$ 22,607,000	\$ 88,752		\$ 22,695,752	6,059	\$ 3,746
2010	21,937,000	69,095		22,006,095	6,131	3,589
2011	21,237,000	48,437		21,285,437	6,176	3,446
2012	20,507,000	26,727		20,533,727	6,206	3,309
2013	19,742,000	3,913		19,745,913	6,236	3,166
2014	18,942,000	-		18,942,000	6,253	3,029
2015	16,800,000	-		16,800,000	6,275	2,677
2016	15,990,000	-		15,990,000	6,271	2,550
2017	15,155,000	-		15,155,000	6,314	2,400
2018	14,290,000	-		14,290,000	6,314 E	2,263

Source: District records

E - Estimate

CARLSTADT BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2009	\$ 22,607,000		\$ 22,607,000	2.34%	\$ 3,731
2010	21,937,000		21,937,000	2.29%	3,578
2011	21,237,000		21,237,000	2.27%	3,439
2012	20,507,000		20,507,000	2.23%	3,304
2013	19,742,000		19,742,000	0.98% *	3,166
2014	18,942,000		18,942,000	0.94%	3,029
2015	16,800,000		16,800,000	0.84%	2,677
2016	15,990,000	\$ 8,130	15,981,870	0.81%	2,549
2017	15,155,000		15,155,000	0.67%	2,400
2018	14,290,000		14,290,000	0.62%	2,263

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

* The Borough underwent a revaluation effective calendar year 2013

**CARLSTADT BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Carlstadt Board of Education (As of June 30, 2018)	\$ 14,290,000	\$ 14,290,000	
Borough of Carlstadt	<u>15,788,107</u>	<u>2,322,000</u>	<u>\$ 13,466,107</u>
	<u>\$ 30,078,107</u>	<u>\$ 16,612,000</u>	<u>13,466,107</u>
Overlapping Debt Apportioned to the Municipality:			
Bergen County:			
County of Bergen (A)			16,829,068
Bergen County Utilities Authority - Water Pollution (B)			<u>2,141,938</u>
			<u>18,971,006</u>
 Total Direct and Overlapping Debt			 <u>\$ 32,437,113</u>

Source:

(1) Borough of Carlstadt's 2017 Annual Debt Statement

(A) The debt for this entity was apportioned to the Borough of Carlstadt by dividing the municipality's 2017 equalized value by the total 2017 equalized value for Bergen County.

(B) Overlapping debt was computed based upon municipal flow to the Authority.

**CARLSTADT BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Legal Debt Margin Calculation for Fiscal Year 2018

	Equalized valuation basis	
	2017	\$ 3,295,059,091
	2016	\$ 2,288,763,255
	2015	2,194,353,450
	[A]	<u>\$ 7,778,175,796</u>
Average equalized valuation of taxable property	[A/3]	\$ 2,592,725,265
Debt limit (3 % of average equalization value)	[B]	77,781,758 ^a
Total Net Debt Applicable to Limit	[C]	<u>14,290,000</u>
Legal debt margin	[B-C]	<u>\$ 63,491,758</u>

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 70,452,130	\$ 76,552,647	\$ 76,190,337	\$ 71,851,095	\$ 64,522,987	\$ 60,354,328	\$ 59,351,466	\$ 61,436,860	\$ 65,366,381	\$ 77,781,758
Total net debt applicable to limit	<u>22,607,181</u>	<u>21,937,181</u>	<u>21,237,181</u>	<u>20,507,181</u>	<u>19,742,181</u>	<u>18,942,000</u>	<u>16,800,000</u>	<u>15,990,000</u>	<u>15,155,000</u>	<u>14,290,000</u>
Legal debt margin	<u>\$ 47,844,949</u>	<u>\$ 54,615,466</u>	<u>\$ 54,953,156</u>	<u>\$ 51,343,914</u>	<u>\$ 44,780,806</u>	<u>\$ 41,412,328</u>	<u>\$ 42,551,466</u>	<u>\$ 45,446,860</u>	<u>\$ 50,211,381</u>	<u>\$ 63,491,758</u>
Total net debt applicable to the limit as a percentage of debt limit	32.09%	28.66%	27.87%	28.54%	30.60%	31.38%	28.31%	26.03%	23.18%	18.37%

Source: Annual Debt Statements

**CARLSTADT BOARD OF EDUCATION
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)**

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2009	6,059	\$ 65,097	7.0%
2010	6,131	66,080	7.20%
2011	6,176	69,044	7.10%
2012	6,206	71,953	7.20%
2013	6,236	71,449	8.80%
2014	6,253	73,293	6.60%
2015	6,275	76,388	5.60%
2016	6,271	77,187	5.00%
2017	6,314	N/A	5.00%
2018	6,314 E	N/A	N/A

N/A - Not Available

Source: New Jersey State Department of Education

CARLSTADT BOARD OF EDUCATION
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

	<u>2018</u>		<u>2009</u>	
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

NOT AVAILABLE

**CARLSTADT BOARD OF EDUCATION
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (Unaudited)**

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction										
Regular	47	46	47	49	50	50	50	50	50	50
Special Education										
Other Special Education	5	6	6	11	8	8	8	10	10	10
Vocational										
Other Instruction					3	1	1	1		
Nonpublic school programs										
Adult/continuing education programs										
Support Services:										
Student & instruction related services	6	6	6	8	9	9	9	8	8	8
General administration	3	3	3	2	2	2	2	2	2	2
School administrative services	3	3	3	3	3	3	6	6	5	5
Other administrative services										
Central services	2	2	2	2	2	2	2	2	2	2
Administrative Information Technology				1			1	1	1	1
Plant operations and maintenance	5	5	5	7	8	7	5	5	3	3
Pupil transportation										
Other support services										
Special Schools										
Food Service										
Child Care										
Total	<u>71</u>	<u>71</u>	<u>72</u>	<u>83</u>	<u>85</u>	<u>82</u>	<u>84</u>	<u>85</u>	<u>81</u>	<u>81</u>

Source: District Personnel Records

CARLSTADT BOARD OF EDUCATION
 OPERATING STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teacher/Pupil Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary				
2009	591	\$ 9,666,201	\$ 16,356	-5.97%	50	1:11	582	557	2.65%	95.70%
2010	588	9,816,261	16,694	2.07%	50	1:12	575	548	-1.20%	95.30%
2011	595	9,384,876	15,773	-5.52%	53	1:13	592	564	2.96%	95.27%
2012	584	10,000,813	17,125	8.57%	48	1:12	580	555	-2.03%	95.69%
2013	603	10,165,805	16,859	-1.55%	47	1:13	599	569	3.28%	94.99%
2014	592	10,243,868	17,304	2.64%	47	1:13	592	564	-1.17%	95.27%
2015	574	10,764,968	18,754	11.24%	47	1:12	574	544	-4.17%	94.77%
2016	559	10,930,021	19,553	15.98%	50	1:11	564	537	-5.84%	95.21%
2017	538	11,231,478	20,876	20.65%	50	1:11	535	514	-9.63%	96.07%
2018	558	11,405,166	20,439	8.98%	50	1:11	541	512	1.12%	94.64%

Sources: District records

- Note:
- a Enrollment based on annual October district count.
 - b Operating expenditures equal total expenditures less debt service and capital outlay.
 - c Cost per pupil represents operating expenditures divided by enrollment.

CARLSTADT BOARD OF EDUCATION
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS
 (Unaudited)

<u>District Building</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Carlstadt Public School										
Square Feet	111,000	111,000	111,000	111,000	111,000	111,000	111,000	111,000	111,000	111,000
Capacity (students)										
Enrollment	582	580	595	584	603	592	574	559	538	558

Number of Schools at June 30, 2018
 Elementary/Middle = 1

Source: District Records

**CARLSTADT BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN YEARS
(Unaudited)**

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-XXX

Project # (s)	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
School Facilities										
Carlstadt School Public School	<u>\$ 27,612</u>	<u>\$ 29,770</u>	<u>\$ 38,954</u>	<u>\$ 42,399</u>	<u>\$ 60,625</u>	<u>\$ 137,095</u>	<u>\$ 122,214</u>	<u>\$ 324,017</u>	<u>\$ 150,071</u>	<u>\$ 135,083</u>
Grand Total	<u>\$ 27,612</u>	<u>\$ 29,770</u>	<u>\$ 38,954</u>	<u>\$ 42,399</u>	<u>\$ 60,625</u>	<u>\$ 137,095</u>	<u>\$ 122,214</u>	<u>\$ 324,017</u>	<u>\$ 150,071</u>	<u>\$ 135,083</u>

Source: District Records

Source: School District's financial statements

**CARLSTADT BOARD OF EDUCATION
SCHEDULE OF INSURANCE
JUNE 30, 2018
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Property *		
Blanket Buildings and Contents	\$ 27,819,195	\$5,000
Commercial General Liability *	\$ 1,000,000/ \$ 2,000,000	
Employers Liability	\$ 1,000,000	\$1,000
Automobile *	\$ 1,000,000	\$ 1,000 comp. \$1,000 coll.
Commercial Umbrella	\$ 1,000,000	Primary Policies
Great American Insurance Co.	\$ 9,000,000	First Umbrella Layer
Fireman's Fund Insurance Co.	\$ 50,000,000	Shared Pool Excess Layer
Boiler and Machinery*	\$ 250,000 \$ 5,000	Shared Pool Limit Deductible
Education Legal Liability/Employment Practices Liability Darwin Insurance Co.	\$ 1,000,000	
Excess & Special Risk (Terrorism) American Alternative Insurance Co.	\$ 1,000,000	
Public Employee Dishonesty *	\$ 400,000 \$ 5,000	\$100,000 per Employee Deductible
Cyber Liability (Indian Harbor)	\$ 1,000,000 \$ 15,000	\$6,000,000 agg. Deductible

* Selective Way Insurance Co.

Source: School District's records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-1

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Carlstadt Board of Education
Carlstadt, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carlstadt Board of Education as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Carlstadt Board of Education's basic financial statements and have issued our report thereon dated January 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Carlstadt Board of Education in a separate report entitled, “Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance” dated January 22, 2019.

Purpose of this Report

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



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Andrew D. Parente
Public School Accountant
PSA Number CS002246

Fair Lawn, New Jersey
January 22, 2019



LERCH, VINCI & HIGGINS, LLP

EXHIBIT K-2

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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ROBERT LERCH, CPA

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Carlstadt Board of Education
Carlstadt, New Jersey

Report on Compliance for Each Major State Program

We have audited the Carlstadt Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Carlstadt Board of Education's major state programs for the fiscal year ended June 30, 2018. The Carlstadt Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Carlstadt Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Carlstadt Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with New Jersey OMB Circular 15-08 which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major state program is not modified with respect to this matter.

The Carlstadt Board of Education's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Carlstadt Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Carlstadt Board of Education as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated January 22, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Andrew D. Parente
Public School Accountant
PSA Number CS002246

Fair Lawn, New Jersey
January 22, 2019

**CARLSTADT BOARD OF EDUCATION
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	FAIN Number	Grant or State Project Number	Project Period	Award Amount	Balance, June 30, 2017					Balance, June 30, 2018					Memo GAAP Receivable
						Unearned Revenue	(Accounts Receivable)	Due to Grantor	Carryover Amount	Adjust Receivable	Cash Received	Budgetary Expenditures	Unearned Revenue	(Accounts Receivable)	Due to Grantor	
U.S. Department of Agriculture																
Passed-through State Department of Education																
<u>Enterprise Fund</u>																
National School Lunch Program	10.555															
Non-Cash Assistance (Food Distribution)		181NJ304N1099	N/A	7/1/17-6/30/18	\$ 22,078						\$ 22,078	\$ 21,187	\$ 891			
Non-Cash Assistance (Food Distribution)		171NJ304N1099	N/A	7/1/16-6/30/17	22,818	\$ 807						807				
Cash Assistance		181NJ304N1099	N/A	7/1/17-6/30/18	78,637						71,253	78,637		\$ (7,384)	\$ (7,384)	
Cash Assistance		171NJ304N1099	N/A	7/1/16-6/30/17	87,430		\$ (6,160)				6,160					
Health Hunger-Free Kids Act of 2011	10.555															
Cash Assistance		181NJ304N1099	N/A	7/1/17-6/30/18	3,413						3,088	3,413		(325)	(325)	
Cash Assistance		171NJ304N1099	N/A	7/1/16-6/30/17	3,677		(261)				261					
National School Breakfast Program	10.555															
Cash Assistance		181NJ304N1099	N/A	7/1/17-6/30/18	7,638						6,973	7,638		(665)	(665)	
Cash Assistance		171NJ304N1099	N/A	7/1/16-6/30/17	9,712	-	(875)	-	-	-	875	-	-	-	-	-
Total U.S. Department of Agriculture/Child Nutrition Cluster						807	(7,296)	-	-	-	110,688	111,682	891	(8,374)	-	(8,374)
U.S. Department of Education																
Passed-through State Department of Education																
<u>Special Revenue Fund</u>																
IDEA Part B	84.027	H027A170100	IDEA074018	7/1/17-6/30/18	139,431						139,431	139,431				
IDEA Preschool	84.173	H173A170114	IDEA074018	7/1/17-6/30/18	6,514						6,514	6,514				
Total Special Education Cluster (IDEA)												145,945				
ESEA Title I	84.010	S010A170030	ESEA074018	7/1/17-6/30/18	95,076				\$ 7,391	\$ (7,391)	62,741	100,994	1,473	(39,726)	(38,253)	
NCLB Title I	84.010	S010A160030	NCLB074017	7/1/16-6/30/17	96,007	7,391	(32,573)		(7,391)	7,391	25,182	-				
ESEA Title II- A	84.367A	S367A170029	ESEA074018	7/1/17-6/30/18	13,049				67	(67)	4,010	5,718	7,398	(9,106)	(1,708)	
NCLB Title II- A	84.367A	S367A160029	NCLB074017	7/1/16-6/30/17	13,361	67	(1,492)		(67)	67	1,425					
ESEA Title III	84.365	S365A170030	ESEA074018	7/1/17-6/30/18	10,000						1,621	9,541	459	(8,379)	(7,920)	
NCLB Title III (Consortium)	84.365	S365A160030	NCLB074017	7/1/16-6/30/17	9,678	5,136	(11,088)		(5,136)	5,136	5,246	-	-	(706)	(706)	
ESEA Title IV	84.424	S424A170031	ESEA074018	7/1/17-6/30/18	10,000	-	-	-	-	-	6,881	6,881	3,119	(3,119)	-	
Total U.S. Department of Education					12,594	(45,153)	-	(5,136)	5,136	5,136	253,051	269,079	12,449	(61,036)	-	(48,587)
Total Federal Awards					\$ 13,401	\$ (52,449)	\$ -	\$ (5,136)	\$ 5,136	\$ 5,136	\$ 363,739	\$ 380,761	\$ 13,340	\$ (69,410)	\$ -	\$ (56,961)

Note: The District is not subject to a Federal Single Audit in accordance with U.S. Uniform Guidance

See Accompanying Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance

**CARLSTADT BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2017	Carryover Amount	Cash Received	Budgetary Expenditures	Balance, June 30, 2018			MEMO	
								Unearned Revenue	(Accounts Receivable)	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
State Department of Education												
<u>General Fund</u>												
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	\$ 24,947			\$ 23,311	\$ 24,947		\$ (1,636)			\$ 24,947
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	24,947	(809)		809						
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	226,694			211,826	226,694		(14,868)			226,694
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	205,076	(6,649)		6,649						
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	5,980			5,588	5,980		(392)			5,980
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	5,980	(194)		194						
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	5,980			5,588	5,980		(392)			5,980
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	5,980	(194)		194						
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	5,390			5,036	5,390		(354)			5,390
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	5,390	(175)		175						
Total State Aid Public Cluster							<u>268,991</u>					
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	11,303			10,562	11,303		(741)			11,303
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	11,303	(366)		366						
Extraordinary Aid	18-495-034-5120-044	7/1/17-6/30/18	91,776				91,776		(91,776)			91,776
Extraordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	132,903	(132,903)		132,903						
Lead Testing for Schools Aid	18-495-034-5120-104	7/1/17-6/30/18	1,637			1,637	1,637					1,637
On-Behalf TPAF Pension System Contributions NCGI	18-495-034-5094-004	7/1/17-6/30/18	15,301			15,301	15,301					15,301
On-Behalf TPAF Pension System Contributions Normal Costs and Accrued Liability	18-495-034-5094-002	7/1/17-6/30/18	630,529			630,529	630,529					630,529
On-Behalf TPAF Contributions (Post Retirement Medical)	18-495-034-5094-001	7/1/17-6/30/18	417,129			417,129	417,129					417,129
On-Behalf TPAF Contributions (Long-Term Disability Insurance Premium)	18-495-034-5094-004	7/1/17-6/30/18	379			379	379					379
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	318,081			300,318	318,081		(17,763)		\$ (17,763)	318,081
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	314,533	(17,274)		17,274						
Total General Fund				<u>(158,564)</u>		<u>1,785,768</u>	<u>1,755,126</u>		<u>(127,922)</u>		<u>(17,763)</u>	<u>1,755,126</u>
State Department of Agriculture												
<u>Enterprise Fund</u>												
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	2,670			2,670	2,670					2,670
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	2,824	(200)		200						
Total Enterprise Fund				<u>(200)</u>		<u>2,870</u>	<u>2,670</u>					<u>2,670</u>
Total State Financial Assistance Subject to Single Audit Determination				<u>(158,764)</u>		<u>1,788,638</u>	<u>1,757,796</u>		<u>(127,922)</u>		<u>(17,763)</u>	<u>1,757,796</u>
State Financial Assistance Not Subject to Major Program Determination												
<u>General Fund</u>												
On-Behalf TPAF Pension System Contributions-NCGI	18-495-034-5094-004	7/1/17-6/30/18	15,301			(15,301)	(15,301)					(15,301)
On-Behalf TPAF Normal Costs	18-495-034-5094-002	7/1/17-6/30/18	630,529			(630,529)	(630,529)					(630,529)
On-Behalf TPAF Post-Retirement Medical Contributions	18-495-034-5094-001	7/1/17-6/30/18	417,129			(417,129)	(417,129)					(417,129)
On-Behalf TPAF Long-Term Disability Ins. Contributions	18-495-034-5094-004	7/1/17-6/30/18	379			(379)	(379)					(379)
Total State Financial Assistance Subject to Major Program Determination				<u>\$ (158,764)</u>	<u>\$ -</u>	<u>\$ 725,300</u>	<u>\$ 694,458</u>	<u>\$ -</u>	<u>\$ (127,922)</u>	<u>\$ -</u>	<u>\$ (17,763)</u>	<u>\$ 694,458</u>

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See Accompanying Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

**CARLSTADT BOARD OF EDUCATION
 NOTES TO THE SCHEDULES OF EXPENDITURES OF
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Carlstadt Board of Education. The Board of Education is defined in Note 1(A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$31,131 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,786,257	\$ 1,786,257
Special Revenue Fund	\$ 269,079		269,079
Food Service Fund	<u>111,682</u>	<u>2,670</u>	<u>114,352</u>
Total Financial Assistance	<u>\$ 380,761</u>	<u>\$ 1,788,927</u>	<u>\$ 2,169,688</u>

**CARLSTADT BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$318,081 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2018. The amount reported as TPAF Pension System Contributions in the amount of \$645,830 , TPAF Post-Retirement Medical Benefits Contributions in the amount of \$417,129 and TPAF Long-Term Disability Insurance in the amount of \$379 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits and Long-Term Disability Insurance Contributions payments are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

**CARLSTADT BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on financial statements	<u>Unmodified</u> _____	
Internal control over financial reporting:		
1) Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
2) Were significant deficiencies identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to the basic financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards Section

Not Applicable

**CARLSTADT BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over compliance:

(1) Material weaknesses identified? yes X no

2) Were significant deficiencies identified that are not
considered to be material weakness(es)? yes X none reported

Type of auditor's report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to be reported
in accordance with N.J. Circular Letter 15-08? X yes no

Identification of major state programs:

GMIS Number

Name of State Program or Cluster

18-495-034-5094-003

Reimbursed TPAF Social

Security Contributions

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

**CARLSTADT BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with government Auditing Standards.

There are none.

**CARLSTADT BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable

**CARLSTADT BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

Finding 2018-001

Our audit of T.P.A.F. FICA reimbursements revealed the salaries used to determine the amount reimbursed by the State for FICA included certain non-pensionable wages.

State Program Information

Reimbursed TPAF Social Security Contributions	495-034-5094-003
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Criteria or Specific Requirement

State Grant Compliance Supplement

Condition

Salaries used to determine State reimbursements for FICA paid for T.P.A.F. members included certain non-pensionable wages.

Questioned Costs

Unknown.

Context

Imputed income and employee merit bonus, are non-pensionable wages, were included in the salaries used to determine the amount to be reimbursed by the State.

Effect

Amounts reimbursed by State did not reflect actual FICA paid on T.P.A.F. members' pensionable wages.

Cause

See context.

Recommendation

The District review with its financial accounting software vendor the T.P.A.F. FICA calculation to ensure T.P.A.F. FICA reimbursements are based only on pensionable wages subject to FICA.

View of Responsible Officials and Planned Corrective Action

Management agrees with this finding and had indicated that procedures will be implemented to take corrective action.

**CARLSTADT BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This section identifies the status of prior-year findings related to the basic financial statements and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, and NJ OMB Circular 15-08, as applicable.

STATUS OF PRIOR YEAR FINDINGS

There were none.