

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

Closter, New Jersey

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

**Prepared by
Closter Board of Education
Business Office**

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INTRODUCTORY SECTION



Closter Board of Education
340 Homans Avenue • Closter, NJ 07624

January 24, 2019

Honorable President and
Members of the Board of Trustees
Closter Board of Education
Closter, New Jersey 07624

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Closter School District (the "District") for the fiscal year ended June 30, 2018 is hereby submitted. This Comprehensive Annual Financial Report includes the District's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the District. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of NJ OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the 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.

A Concern For Each Child • A Commitment To Excellence

1. REPORTING ENTITY AND ITS SERVICES: The Closter School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB No. 34. All funds of the District are included in this report. The Closter Board of Education, Hillside Elementary School and Tenakill Middle School constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. It completed the 2017-2018 fiscal year with an enrollment of 1,167 students, which is fifty more students than the previous year. The following details the changes in the District's student enrollment over the last 10 years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2008-2009	1,191	0.76
2009-2010	1,155	(3.02)
2010-2011	1,127	(2.42)
2011-2012	1,106	(1.86)
2012-2013	1,123	1.54
2013-2014	1,118	(0.44)
2014-2015	1,110	(0.72)
2015-2016	1,114	0.36
2016-2017	1,117	0.27
2017-2018	1,167	4.50

2. ECONOMIC CONDITION AND OUTLOOK: Known as, "The Historic Hub of the Northern Valley," the Borough of Closter is situated below the Palisades in the northeastern part of Bergen County, New Jersey. Closter is a stable, attractive community with an estimated population of 8,498. The median household income of its residents is \$119,485, and the average home is assessed at \$666,000. Approximately 90% of Closter's working residents are employed in the following job types: management, business and financial operations; professional and related; sales and office; service. Furthermore, 95% of Closter's adult population graduated from high school and 60% have a bachelor's degree or higher. As of the 2010 United States Census, nearly 32% of Closter's residents are of Asian origins. Although Closter is located just 15 miles from New York City, it maintains a local pride in its community, its schools, and in the many services that it offers its residents.

3. MAJOR INITIATIVES In the 2017-2018 school year, Closter Public Schools shifted from a five-day, Monday through Friday schedule to a rotating 6-day schedule (A-F). This change provided opportunities to fit more courses within the schedule. Tenakill also moved from a four quarter marking period to trimesters, to match with Hillside's grading schedule.

Tenakill Middle School converted a classroom to a health fitness room. In addition to having a classroom dedicated to health curriculum, the room also features fitness equipment for the students. The certified Physical Education teacher can offer an expanded curriculum related to health and fitness during the school year. Another health initiative was for Hillside Elementary School that provided a Mindfulness course in grades K-2.

Hillside Elementary School expanded its STEM program with the existing Science Lab and

3. MAJOR INITIATIVES (Continued):

STEM Learning Center. The technology integration specialist taught STEM in the updated facility. Two projects were integrated with the art department. Tenakill Middle School expanded its cycle courses with Digital Citizenship and STEM. Long planned, a new STEM teacher was hired to staff the lab built during the previous school year, offering Coding and Lego Robotics, and collaborative technology and engineering instruction, grades 5-8.

Closter hired a full-time Mandarin teacher, adding to its World Language program. In consequence, Hillside Elementary School dedicated a Spanish Language teacher for PreK-4 as part of the Specials 6-day schedule. Tenakill Middle School now offers both Spanish and Mandarin for its students.

Hillside Elementary School added an ELL teacher due to increased enrollment of ELL students, increasing the district staff from three to four. In addition to providing pull out and push in services, the ELL teachers also assist the general education staff with providing support for the mainstream curriculum.

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 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, special revenue and debt service funds. Project-length budgets are approved for capital improvements and accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

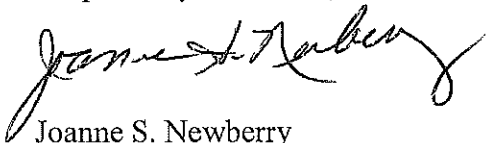
6. CASH MANAGEMENT: The investment policy of the District is guided in large part by State statute as detailed in "Notes to the Financial Statements". The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions 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.

7. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, pollution liability, commercial automobile, school board legal liability, crime, workers compensation, and surety bonds.

8. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The auditing firm selected by the Board is Lerch, Vinci, Higgins, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of NJ OMB Circular 15-08. 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 Government Auditing Standards and the single audit are included in the single audit section of this report.

9. ACKNOWLEDGMENTS: We would like to express our sincere appreciation to the members of the Closter Board of Education for their prudent fiscal stewardship. Their concerns for fiscal accountability and transparency on behalf of the citizens and taxpayers of Closter should be commended. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office.

Respectfully submitted,



Joanne S. Newberry
Superintendent of Schools
Closter Public Schools



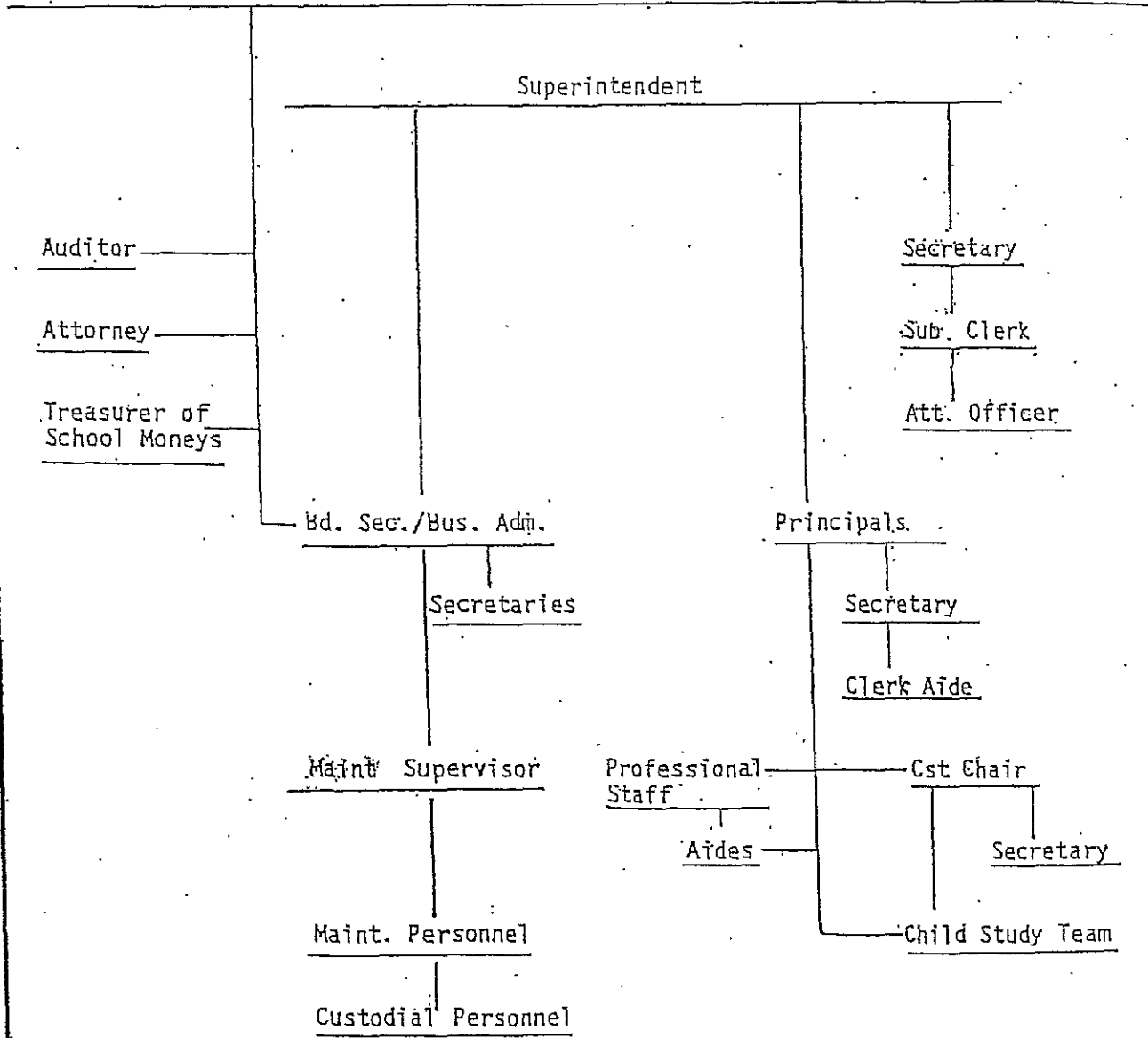
Floro M. Villanueva Jr.
Business Administrator/ Board Secretary
Closter Public Schools

CLOSTER BOARD OF EDUCATION
Closter, New Jersey 07624
Exhibit

File Code: 2120

ORGANIZATION CHARTS

Cluster Board of Education



2188s



**CLOSTER BOARD OF EDUCATION
CLOSTER, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Member of the Board of Education</u>	<u>Term Expires January</u>
Gregg Lambert, President	2021
Stephanie Lee, Vice President	2020
Anthony Linn	2019
Ruchi Kothari	2020
Janine Micera	2020
Melody Finkelstein	2021
Robert Kleinman	2019
Chris Kwon	2021
Sung Min Lee	2019
<u>Other Officials</u>	
Joanne S. Newberry, Superintendent of Schools	
Michael Donow, Interim Business Administrator/Board Secretary	
Norma Ketler, Treasurer	

CLOSTER BOARD OF EDUCATION
Consultants and Advisors

Architect

Di Cara/Rubino
30 Galesi Drive – West Wing
Wayne, NJ 07470

Audit Firm

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

Attorney

Fogarty & Hara
16-00 Route 208 South
Fair Lawn, NJ 07410

Official Depository

Capital One Bank
710 Route 46 East
Fairfield, NJ 07004

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
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Closter Board of Education
Closter, 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 Closter 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 Closter 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 Closter 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 Closter Board of Education's basic financial statements. The introductory section, combining and individual non-major 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 Closter Board of Education.

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

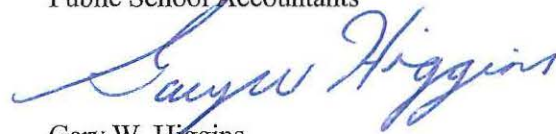
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2019 on our consideration of the Closter 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 Closter 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 Closter Board of Education's internal control over financial reporting and compliance.



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



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
January 24, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

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

This discussion and analysis of the Closter 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 including the 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 2018 are as follows:

- General revenues accounted for \$18,886,075 or 69 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,480,929 or 31 percent of total revenues of \$27,367,004.
- The School District had \$27,505,329 in total expenses; only \$8,480,929 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$18,886,075 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$22,550,075 in revenues and \$22,679,584 in expenditures. The General Fund's fund balance decreased \$129,509 from June 30, 2017.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

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

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 with all other non-major funds presented in one total column. The General Fund is by far the most significant fund.

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 asks the question, "How did we do financially during 2017/18"? The Statement of Net Position and the Statement of Activities answer that question. These statements include all assets and deferred outflows of resources and 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 its 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, capital outlay, and debt service activities.
- **Business-Type Activities** – 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-type activity.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

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

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 the General Fund, Special Revenue Fund and Debt Service Fund. The proprietary funds include the Food Service Fund which is a non-major 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.

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.

Table 1 provides a summary of the District's net position as of June 30, 2018 and 2017.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

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

**Table 1
Net Position
as of June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets						
Current and Other Assets	\$ 3,915,439	\$ 3,981,710	\$ 21,345	\$ 8,922	\$ 3,936,784	\$ 3,990,632
Capital Assets	14,470,859	14,592,754	-	-	14,470,859	14,592,754
Total Assets	<u>18,386,298</u>	<u>18,574,464</u>	<u>21,345</u>	<u>8,922</u>	<u>18,407,643</u>	<u>18,583,386</u>
Deferred Outflows of Resources						
Deferred Amounts on Refunding	21,473	25,767			21,473	25,767
Deferred Amount on Pension Liability	1,301,634	1,875,067	-	-	1,301,634	1,875,067
Total Deferred Outflows of Resources	<u>1,323,107</u>	<u>1,900,834</u>	<u>-</u>	<u>-</u>	<u>1,323,107</u>	<u>1,900,834</u>
Liabilities						
Long-Term Liabilities	6,916,703	8,517,380			6,916,703	8,517,380
Other Liabilities	101,775	40,210	-	-	101,775	40,210
Total Liabilities	<u>7,018,478</u>	<u>8,557,590</u>	<u>-</u>	<u>-</u>	<u>7,018,478</u>	<u>8,557,590</u>
Deferred Inflows of Resources						
Deferred Amount on Pension Liability	1,208,529	284,562	-	-	1,208,529	284,562
Total Deferred Inflows of Resources	<u>1,208,529</u>	<u>284,562</u>	<u>-</u>	<u>-</u>	<u>1,208,529</u>	<u>284,562</u>
Net Position						
Net Investment in Capital						
Assets	12,857,332	12,698,521			12,857,332	12,698,521
Restricted	2,465,334	2,096,757			2,465,334	2,096,757
Unrestricted	(3,840,268)	(3,162,132)	21,345	8,922	(3,818,923)	(3,153,210)
Total Net Position	<u>\$ 11,482,398</u>	<u>\$ 11,633,146</u>	<u>\$ 21,345</u>	<u>\$ 8,922</u>	<u>\$ 11,503,743</u>	<u>\$ 11,642,068</u>

The District's combined net position was \$11,503,743 and \$11,642,068 on June 30, 2018 and 2017, respectively.

Table 2 shows changes in net position for fiscal years 2018 and 2017.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

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

**Table 2
Changes in Net Position
For the Years Ended June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues						
Charges for Services	\$ 355,064	\$ 382,786	\$ 14,743	\$ 15,470	\$ 369,807	\$ 398,256
Grants and Contributions	8,103,908	7,838,106	7,214	7,493	8,111,122	7,845,599
Capital Grants and Contributions					-	-
General Revenues						
Property Taxes	18,773,857	18,353,338			18,773,857	18,353,338
State Aid	32,300	31,286			32,300	31,286
Other	79,821	91,774	97	70	79,918	91,844
Total Revenues	<u>27,344,950</u>	<u>26,697,290</u>	<u>22,054</u>	<u>23,033</u>	<u>27,367,004</u>	<u>26,720,323</u>
Expenses						
Instruction	19,073,497	18,285,169			19,073,497	18,285,169
Support Services						
Student and Instructional Related Svcs.	2,691,068	2,833,221			2,691,068	2,833,221
General and School Administration, Business / Central Services	2,820,953	2,633,775			2,820,953	2,633,775
Plant Operations and Maintenance	2,569,570	2,658,791			2,569,570	2,658,791
Pupil Transportation	292,870	229,586			292,870	229,586
Interest on Debt	47,740	54,437			47,740	54,437
Food Service	-	-	9,631	22,726	9,631	22,726
Total Expenses	<u>27,495,698</u>	<u>26,694,979</u>	<u>9,631</u>	<u>22,726</u>	<u>27,505,329</u>	<u>26,717,705</u>
Change in Net Position	(150,748)	2,311	12,423	307	(138,325)	2,618
Beginning of Year, Net Position	<u>11,633,146</u>	<u>11,630,835</u>	<u>8,922</u>	<u>8,615</u>	<u>11,642,068</u>	<u>11,639,450</u>
Ending of Year, Net Position	<u>\$ 11,482,398</u>	<u>\$ 11,633,146</u>	<u>\$ 21,345</u>	<u>\$ 8,922</u>	<u>\$ 11,503,743</u>	<u>\$ 11,642,068</u>

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

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

Governmental Activities

Property taxes made up 69 and 69 percent of revenues for governmental activities for the Closter School District in the fiscal years 2018 and 2017, respectively. The District's total governmental revenues were \$27,344,950 and \$26,697,290 for the years ended June 30, 2018 and 2017, respectively. Federal, state, and local grants and aid accounted for another 30 and 29 percent of governmental revenue for the years ended June 30, 2018 and 2017, respectively. The total costs of all governmental programs and services was \$27,495,698 and \$26,694,979 for the years ended June 30, 2018 and 2017, respectively. Instruction comprises 69 and 68 percent of District expenses for the years ended June 30, 2018 and 2017, respectively.

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 revenues exceeded expenses by \$12,423.
- Charges for services of \$14,743 represent 67 percent of revenue. This represents amounts paid for daily milk service.
- Federal reimbursement for milk was \$7,214.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for the fiscal years ended June 30, 2018 and 2017. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

**Table 3
Total and Net Cost of Services of Governmental Activities**

	<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	\$ 19,073,497	\$ 18,285,169	\$ 11,695,566	\$ 10,845,484
Support Services				
Student and Instruction Related Svcs.	2,691,068	2,833,221	2,484,262	2,773,221
General Administration, School Administration, Business / Central Services	2,820,953	2,633,775	2,079,883	1,955,230
Plant Operations and Maintenance	2,569,570	2,658,791	2,468,932	2,640,393
Pupil Transportation	292,870	229,586	260,343	205,322
Interest and Other Charges	47,740	54,437	47,740	54,437
Total	<u>\$ 27,495,698</u>	<u>\$ 26,694,979</u>	<u>\$ 19,036,726</u>	<u>\$ 18,474,087</u>

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

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

Governmental Activities (Cont.)

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/central services include expenses associated with administrative and financial supervision of the District.

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

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

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$23,152,683 and \$22,235,594 and expenditures were \$23,282,193 and \$22,532,958 for the years ended June 30, 2018 and 2017, respectively. During the fiscal year ended June 30, 2018, expenses exceeded revenues by \$129,510.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental fund revenues for the fiscal years ended June 30, 2018 and 2017.

<u>Revenue</u>	<u>Fiscal Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
	<u>June 30, 2018</u>	<u>June 30, 2017</u>		
Local Sources	\$ 19,209,773	\$ 18,827,898	\$ 381,875	2.03%
State Sources	3,671,452	3,148,088	523,364	16.62%
Federal Sources	<u>271,458</u>	<u>259,608</u>	<u>11,850</u>	4.56%
Total	<u>\$ 23,152,683</u>	<u>\$ 22,235,594</u>	<u>\$ 917,089</u>	4.12%

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

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

The District's Funds (Cont.)

The following schedule represents a summary of the governmental fund expenditures for the fiscal years ended June 30, 2018 and 2017.

<u>Expenditures</u>	<u>Fiscal Year Ended</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
	<u>June 30, 2018</u>	<u>June 30, 2017</u>		
Current				
Instruction	\$ 15,451,793	\$ 14,140,035	\$ 1,311,758	9.28%
Support Services	6,827,958	6,881,212	(53,254)	-0.77%
Capital Outlay	672,322	1,174,894	(502,572)	-42.78%
Debt Service:				
Principal	285,000	285,000	-	0.00%
Interest	<u>45,120</u>	<u>51,817</u>	<u>(6,697)</u>	-12.92%
 Total Expenditures	 <u>\$ 23,282,193</u>	 <u>\$ 22,532,958</u>	 <u>\$ 749,235</u>	 3.33%

General Fund Budgeting Highlights

The District's annual school budget is prepared according to New Jersey Statutes. The most significant budgetary fund is the General Fund. The school budget is approved only after an exhaustive review of each appropriation account. The budget - first and foremost - supports student achievement and outstanding academic programs.

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over expenditures in specific line item accounts.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

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

Capital Assets

At the end of fiscal years 2018 and 2017, the District's governmental activities had \$14,470,859 and \$14,592,754, respectively invested in land, construction in progress, buildings, furniture, equipment and vehicles, net of accumulated depreciation. Table 4 shows fiscal year 2018 balances compared to 2017.

**Table 4
Capital Assets**

	June 30	
	2018	2017
Land	\$ 26,600	\$ 26,600
Construction in Progress	7,295	286,533
Improvements Other Than Buildings	322,607	322,607
Buildings and Improvements	23,907,764	23,060,585
Machinery and Equipment	1,047,131	947,708
	25,311,397	24,644,033
Less: Accumulated Depreciation	(10,840,538)	(10,051,279)
Total	\$ 14,470,859	\$ 14,592,754

Overall capital assets, net of accumulated depreciation, decreased \$121,895 from fiscal year 2017 to fiscal year 2018 as a result of depreciation exceeding capital asset additions.

Additional information on Closter School District's Capital Assets can be found in Note 4 of this report.

Debt Administration

At June 30, 2018 and 2017, the District had \$6,916,703 and \$8,517,380, respectively of long-term liabilities. Table 5 reflects the District's outstanding liabilities at June 30, 2018 and 2017.

**CLOSTER SCHOOL DISTRICT
CLOSTER NEW JERSEY**

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

**Table 5
Outstanding Liabilities**

	June 30	
	<u>2018</u>	<u>2017</u>
2013 Refunding Bonds	\$ 1,635,000	\$ 1,920,000
Net Pension Liability	4,906,944	6,245,235
Compensated Absences	374,759	352,145
Total	\$ 6,916,703	\$ 8,517,380

At June 30, 2018, the District's overall remaining legal debt margin was \$62,299,300.

Additional information on Closter School District's Long-Term Debt can be found in Note 4 of this report.

For the Future

The Closter Public Schools are thankful for the community's support and for the continued generosity of the Closter PTO. The district's most important goal is student achievement. To that end, the Closter Public Schools make every effort to meet the needs of all its children, despite significant cuts in state aid and unfunded mandates.

The Closter Public Schools are committed to educational excellence and fiscal integrity. Our system for financial planning, budgeting, and internal financial controls is audited annually. The Closter Public Schools shall continue to manage its financial resources prudently in order to meet the education challenges of the 21st century.

Contacting the District's Financial Management

If you have questions about this report or need additional information, please contact the School Business Administrator, Closter Board of Education, 340 Homans Avenue, Closter, NJ 07624.

DISTRICT WIDE FINANCIAL STATEMENTS

**CLOSTER BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 3,111,065	\$ 20,802	\$ 3,131,867
Receivables, net			
Other Accounts Receivable	6,970		6,970
Receivables from Other Governments	797,283	543	797,826
Due from Other Funds	121		121
Capital Assets Not Being Depreciated	33,895		33,895
Capital Assets Being Depreciated	14,436,964		14,436,964
	<u>18,386,298</u>	<u>21,345</u>	<u>18,407,643</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding	21,473		21,473
Deferred Amount on Net Pension Liability	1,301,634		1,301,634
	<u>1,323,107</u>	<u>-</u>	<u>1,323,107</u>
LIABILITIES			
Accounts Payable	32,747		32,747
Unearned Revenue	59,422		59,422
Accrued Interest Payable	9,606		9,606
Noncurrent Liabilities			
Due Within One Year	317,476		317,476
Due Beyond One Year	6,599,227		6,599,227
	<u>7,018,478</u>	<u>-</u>	<u>7,018,478</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amount on Net Pension Liability	1,208,529		1,208,529
	<u>1,208,529</u>	<u>-</u>	<u>1,208,529</u>
NET POSITION			
Net Investment in Capital Assets	12,857,332		12,857,332
Restricted for:			
Capital Projects	2,465,333		2,465,333
Debt Service	1		1
Unrestricted	(3,840,268)	21,345	(3,818,923)
	<u>\$ 11,482,398</u>	<u>\$ 21,345</u>	<u>\$ 11,503,743</u>

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

CLOSTER 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	\$ 13,159,162	\$ 295,218	\$ 4,584,280		\$ (8,279,664)		\$ (8,279,664)
Special Education	4,231,585	59,846	1,825,393		(2,346,346)		(2,346,346)
Other Instruction	1,543,864		564,396		(979,468)		(979,468)
School Sponsored Activities and Athletics	138,886		48,798		(90,088)		(90,088)
Support Services							
Student and Instruction Related Svcs.	2,691,068		206,806		(2,484,262)		(2,484,262)
General Administration Services	896,526		153,204		(743,322)		(743,322)
School Administration Services	1,225,447		345,966		(879,481)		(879,481)
Business/Central Services	698,980		241,900		(457,080)		(457,080)
Plant Operations and Maintenance	2,569,570		100,638		(2,468,932)		(2,468,932)
Pupil Transportation	292,870		32,527		(260,343)		(260,343)
Interest on Long-Term debt	47,740				(47,740)		(47,740)
Total Governmental Activities	27,495,698	355,064	8,103,908	-	(19,036,726)	-	(19,036,726)
Business-Type Activities							
Food Service	9,631	14,743	7,214	-	-	\$ 12,326	12,326
Total Business-Type Activities	9,631	14,743	7,214	-	-	12,326	12,326
Total Primary Government	\$ 27,505,329	\$ 369,807	\$ 8,111,122	\$ -	(19,036,726)	12,326	(19,024,400)
General Revenues:							
Property Taxes, Levied for General Purposes					18,443,738		18,443,738
Property Taxes Levied for Debt Service					330,119		330,119
Federal and State Aid - Unrestricted					32,300		32,300
Interest Earnings					15,621	97	15,718
Miscellaneous Income					64,200	-	64,200
Total General Revenues					18,885,978	97	18,886,075
Change in Net Position					(150,748)	12,423	(138,325)
Net Position, Beginning of Year					11,633,146	8,922	11,642,068
Net Position, End of Year					\$ 11,482,398	\$ 21,345	\$ 11,503,743

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

FUND FINANCIAL STATEMENTS

**CLOSTER BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
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	\$ 3,110,323	\$ 741	\$ 1	\$ 3,111,065
Receivables				
Tax Levy	768,490			768,490
Due From Other Funds	121			121
Receivables From Governments	28,760	33		28,793
Receivables From Others	6,970	-	-	6,970
	<u>3,914,664</u>	<u>774</u>	<u>1</u>	<u>3,915,439</u>
Total Assets	\$ 3,914,664	\$ 774	\$ 1	\$ 3,915,439
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 32,747			\$ 32,747
Unearned Revenue	58,648	\$ 774	-	59,422
	<u>91,395</u>	<u>774</u>	<u>-</u>	<u>92,169</u>
Total Liabilities	91,395	774	-	92,169
Restricted Fund Balance				
Emergency Reserve	250,000			250,000
Capital Reserve	2,148,033			2,148,033
Capital Reserve - Designated for Subsequent Year's Expenditures	317,300			317,300
Excess Surplus - Designated for Subsequent Year's Expenditures	325,000			325,000
Excess Surplus	325,000			325,000
Debt Service		\$ 1	1	1
Committed Fund Balance				
Year-End Encumbrances	69,312			69,312
Assigned Fund Balance				
Year-End Encumbrances	22,068			22,068
Unassigned Fund Balance				
General Fund	366,556	-	-	366,556
	<u>3,823,269</u>	<u>-</u>	<u>1</u>	<u>3,823,270</u>
Total Fund Balances	3,823,269	-	1	3,823,270
Total Liabilities and Fund Balances	\$ 3,914,664	\$ 774	\$ 1	3,915,439

Total Fund Balances-Governmental Funds (Exhibit B-1) \$ 3,823,270

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$25,311,397 and the accumulated depreciation is \$10,840,538. 14,470,859

The District has financed capital assets through the issuance of Serial Bonds. The interest accrual at year end is: (9,606)

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. 21,473

Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.

Deferred Outflows of Resources	\$ 1,301,634	
Deferred inflows of Resources	(1,208,529)	
		93,105

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of the following:

Bonds Payable	(1,635,000)	
Compensated Absences	(374,759)	
Net Pension Liability	(4,906,944)	
		(6,916,703)

Net position of governmental activities \$ 11,482,398

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local Sources				
Property Taxes	\$ 18,443,738		\$ 330,119	\$ 18,773,857
Tuition Charges	355,064			355,064
Interest	15,621			15,621
Miscellaneous	64,200	\$ 1,031	-	65,231
Total - Local Sources	18,878,623	1,031	330,119	19,209,773
State Sources	3,671,452			3,671,452
Federal Sources	-	271,458	-	271,458
Total Revenues	22,550,075	272,489	330,119	23,152,683
EXPENDITURES				
Current				
Instruction				
Regular Instruction	10,520,422	25,383		10,545,805
Special Education Instruction	3,436,941	177,511		3,614,452
Other Instruction	1,179,924			1,179,924
School Sponsored Activities and Athletics	111,612			111,612
Support Services				
Student and Instruction Related Services	2,411,434	60,000		2,471,434
General Administration Services	779,134			779,134
School Administration Services	1,003,476			1,003,476
Business/Central Services	561,466			561,466
Plant Operations and Maintenance	1,722,214			1,722,214
Pupil Transportation	290,234			290,234
Debt Service				
Principal			285,000	285,000
Interest and Other Charges			45,120	45,120
Capital Outlay	662,727	9,595	-	672,322
Total Expenditures	22,679,584	272,489	330,120	23,282,193
Excess (Deficiency) of Revenues Over (Under) Expenditures	(129,509)	-	(1)	(129,510)
Net Changes in Fund Balances	(129,509)	-	(1)	(129,510)
Fund Balance, Beginning of Year	3,952,778	-	2	3,952,780
Fund Balance, End of Year	\$ 3,823,269	\$ -	\$ 1	\$ 3,823,270

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

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

Total net change in fund balances - governmental funds (Exhibit B-2)	\$	(129,510)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital asset additions in the period.</p>		
Depreciation Expense	\$ (794,217)	
Capital Outlays	<u>672,322</u>	
		(121,895)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal Repayments		
Bonds Payable		285,000
<p>Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (Note 2)</p>		
		<u>(184,343)</u>
Change in net position of governmental activities	\$	<u>(150,748)</u>

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

**CLOSTER BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018**

	Business- Type Activities Enterprise Funds <u>Non - Major</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 20,802
Intergovernmental Accounts Receivable	<u>543</u>
Total Current Assets	<u>21,345</u>
Noncurrent Assets	
Machinery and Equipment	15,173
Less Accumulated Depreciation	<u>(15,173)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>21,345</u>
NET POSITION	
Unrestricted	<u>21,345</u>
Total Net Position	<u><u>\$ 21,345</u></u>

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

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

	Business-Type Activities
	Enterprise Fund
	Non-Major
Operating Revenues	
Charges for services	
Daily Sales	\$ 14,743
Total Operating Revenues	14,743
Operating Expenses	
Cost of Sales	9,631
Total Operating Expenses	9,631
Operating Income	5,112
Nonoperating Revenues	
Federal Sources	
Special Milk Program	7,214
Interest Earnings	97
Total Nonoperating Revenues	7,311
Net Change in Net Position	12,423
Net Position, Beginning of Year	8,922
Net Position, End of Year	\$ 21,345

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

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

	Business-Type Activities
	Enterprise Funds
	Non-Major
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 14,743
Payments to Suppliers	(9,631)
	5,112
Net Cash Provided By Operating Activities	5,112
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Federal Sources	7,245
	7,245
Net Cash Provided By Non-Capital Financing Activities	7,245
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	97
	97
Net Cash Provided By Investing Activities	97
Net Increase in Cash and Cash Equivalents	12,454
Cash and Cash Equivalents—Beginning of Year	8,348
Cash and Cash Equivalents—End of Year	\$ 20,802
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 5,112
Net Cash Provided By Operating Activities	\$ 5,112

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

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

	<u>Private Purpose Trust Funds</u>	<u>Unemployment Compensation Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,657	\$ 178,894	\$ 51,218
Total Assets	<u>1,657</u>	<u>178,894</u>	<u>\$ 51,218</u>
LIABILITIES			
Due To Other Funds			\$ 121
Due To Student Groups			45,249
Payable to State Government		\$ 3,313	
Payroll Deductions and Withholdings		<u>-</u>	<u>5,848</u>
Total Liabilities	<u>-</u>	<u>3,313</u>	<u>\$ 51,218</u>
NET POSITION			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 1,657</u>	<u>\$ 175,581</u>	

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

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

	Private Purpose Trust Funds	Unemployment Compensation Trust Fund
ADDITIONS		
Interest on Deposits	\$ 5	\$ 852
Employee Contributions	-	31,046
	<hr/>	<hr/>
Total Additions	5	31,898
DEDUCTIONS		
Unemployment Claims and Contributions		22,489
Other	13	-
	<hr/>	<hr/>
Total Deductions	13	22,489
Change in Net Position	(8)	9,409
Net Position, Beginning of Year	\$ 1,665	166,172
	<hr/>	<hr/>
Net Position, End of Year	\$ 1,657	\$ 175,581
	<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

**CLOSTER 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 Closter 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 Closter 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 as required:

- 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.

**CLOSTER 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 funds. Fiduciary funds are excluded from the district-wide financial statements.

**CLOSTER 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

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.

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 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.

**CLOSTER 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 District reports the following non-major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides milk to students.

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.

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.

**CLOSTER 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)

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.

Property taxes, tuition, 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. 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.

**CLOSTER 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)

3. *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>
Improvements Other Than Buildings	5-20
Buildings	50
Building Improvements	10-20
Machinery and Equipment	5-20

4. *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 one type which arises only under the accrual basis of accounting that qualifies for reporting in this category. The 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.

5. *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. 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.

**CLOSTER 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. 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.

7. 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. Losses resulting from debt refundings are deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method.

8. 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.

**CLOSTER 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)

8. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

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.

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).

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.

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.

Debt Service – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

Committed Fund Balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Year-End Encumbrances – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustee's 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.

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.

**CLOSTER 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)

8. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

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 (capital projects and 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.

9. 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.

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, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

**CLOSTER 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 (Continued)

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 enterprise funds 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.

**CLOSTER 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 statement of revenues, expenditures, and changes in fund balances and the district-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the district-wide statement of activities. One element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds”. The details of this \$(184,343) difference are as follows:

Compensated Absences	\$ (22,614)
Accrued Interest	1,674
Amortization of Deferred Charge on Refunding	(4,294)
Net Pension Expense	<u>(159,109)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ (184,343)</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 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 February 13, 2013, the Borough of Closter adopted a resolution to move the District’s 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 \$849,912. The increase was funded by additional state aid, grant awards and the reappropriation of prior year general fund encumbrances.

**CLOSTER 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		\$ 2,096,755
Increased by:		
Interest earnings	\$ 5,945	
Deposits approved by Board Resolution	<u>362,633</u>	
Total Increases		<u>368,578</u>
Balance, June 30, 2018		<u>\$ 2,465,333</u>

Of the capital reserve balance at June 30, 2018 \$317,300 was designated and appropriated for use in the 2018/2019 original budget certified for taxes.

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

NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. 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:

Balance, July 1, 2017	<u>\$ 250,000</u>
Balance, June 30, 2018	<u>\$ 250,000</u>

D. 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 \$650,000. Of this amount, \$325,000 was designated and appropriated in the 2018/2019 original budget certified for taxes and the remaining amount of \$325,000 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.

**CLOSTER 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)

Cash Deposits (Continued)

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 \$3,363,636 and bank and brokerage firm balances of the Board's deposits amounted to \$3,555,558. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>3,555,558</u>
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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 the Board had no bank balances exposed to custodial credit risk.

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.

Interest Rate Risk – The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Board places no limit in the amount the District may invest in any one issuer.

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

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2018 for the district's individual major funds and nonmajor fund including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Property Taxes	\$ 768,490			\$ 768,490
Intergovernmental				
State	13,359			13,359
Federal		\$ 33	\$ 543	576
Local	15,401			15,401
Other	<u>6,970</u>	<u>-</u>	<u>-</u>	<u>6,970</u>
Gross Receivables	804,220	33	543	804,796
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 804,220</u>	<u>\$ 33</u>	<u>\$ 543</u>	<u>\$ 804,796</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:

General Fund	
Pre-K Tuition	\$ 52,423
Before/After Care	6,225
Special Revenue Fund	
Unencumbered Grant Draw Downs	<u>774</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 59,422</u>

**CLOSTER 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 <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Balance <u>June 30, 2018</u>
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 26,600				\$ 26,600
Construction In Progress	<u>286,533</u>	\$ 7,295	-	\$ (286,533)	<u>7,295</u>
Total Capital Assets, Not Being Depreciated	<u>313,133</u>	<u>7,295</u>	-	<u>(286,533)</u>	<u>33,895</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	23,060,585	560,646		286,533	23,907,764
Improvements Other Than Buildings	322,607	-			322,607
Machinery and Equipment	<u>947,708</u>	<u>104,381</u>	\$ (4,958)	-	<u>1,047,131</u>
Total Capital Assets Being Depreciated	<u>24,330,900</u>	<u>665,027</u>	<u>(4,958)</u>	<u>286,533</u>	<u>25,277,502</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(9,016,229)	(713,932)			(9,730,161)
Improvements Other Than Buildings	(209,259)	(10,760)			(220,019)
Machinery and Equipment	<u>(825,791)</u>	<u>(69,525)</u>	4,958	-	<u>(890,358)</u>
Total Accumulated Depreciation	<u>(10,051,279)</u>	<u>(794,217)</u>	<u>4,958</u>	<u>-</u>	<u>(10,840,538)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,279,621</u>	<u>(129,190)</u>	<u>-</u>	<u>286,533</u>	<u>14,436,964</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,592,754</u>	<u>\$ (121,895)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,470,859</u>

**CLOSTER 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	\$ 15,173	-	-	\$ 15,173
Total Capital Assets Being Depreciated	<u>15,173</u>	<u>-</u>	<u>-</u>	<u>15,173</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	<u>(15,173)</u>	-	-	<u>(15,173)</u>
Total Accumulated Depreciation	<u>(15,173)</u>	<u>-</u>	<u>-</u>	<u>(15,173)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Governmental Activities:	
Instruction	
Regular	\$ 29,143
Other Instruction	<u>27,714</u>
Total Instruction	<u>56,857</u>
Support Services	
School Administration Services	9,054
Plant Operations and Maintenance	<u>728,306</u>
Total Support Services	<u>737,360</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 794,217</u>

**CLOSTER 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	Payroll Agency Fund	\$ <u>121</u>

The above balance is the result of revenues earned in one fund which is due to another fund.

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 is comprised of the following issue:

\$2,790,000, 2013 Refunding Bonds, due in annual installments of \$270,000 to \$280,000 through April 1, 2024, interest at 2.35%	<u>\$1,635,000</u>
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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	\$ 280,000	\$ 38,422	\$ 318,422
2020	275,000	31,842	306,842
2021	270,000	25,380	295,380
2022	270,000	19,035	289,035
2023	270,000	12,690	282,690
2024	<u>270,000</u>	<u>6,345</u>	<u>276,345</u>
Total	<u>\$ 1,635,000</u>	<u>\$ 133,714</u>	<u>\$ 1,768,714</u>

**CLOSTER 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)

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)	\$ 63,934,300
Less: Net Debt	<u>1,635,000</u>
Remaining Borrowing Power	<u>\$ 62,299,300</u>

G. Other Long-Term Liabilities

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	\$ 1,920,000		\$ 285,000	\$ 1,635,000	\$ 280,000
Net Pension Liability	6,245,235		1,338,291	4,906,944	
Compensated Absences	<u>352,145</u>	<u>\$ 34,059</u>	<u>11,445</u>	<u>374,759</u>	<u>37,476</u>
Governmental Activity Long-Term Liabilities	<u>\$ 8,517,380</u>	<u>\$ 34,059</u>	<u>\$ 1,634,736</u>	<u>\$ 6,916,703</u>	<u>\$ 317,476</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). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

**CLOSTER 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)

The relationship between the Board and the insurance fund 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 fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

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 insurance fund 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 "Benefit Reimbursement Method". Under this plan the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid 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	None	\$ 31,046	\$ 22,489	\$ 175,581
2017	None	30,001	17,503	166,172
2016	None	28,254	24,024	153,053

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.

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

NOTE 5 OTHER INFORMATION (Continued)

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.

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.

**CLOSTER 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) – 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.

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 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 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.

**CLOSTER 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)

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.

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.

**CLOSTER 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)

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.

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.

**CLOSTER 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)

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.

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	\$ 195,278	\$ 1,405,138	\$ 22,044
2017	187,330	1,044,582	12,951
2016	196,300	745,860	18,937

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$1,487 and \$176, respectively for PERS and the State contributed \$1,585 and \$1,587, 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 \$720,024 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.

**CLOSTER 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

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.

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 actuarial 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 \$4,906,944 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 .02108 percent, which was a decrease of .00001 percent from its proportionate share measured as of June 30, 2016 of .02109 percent.

**CLOSTER 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)

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$354,387 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	\$ 115,542	
Changes of Assumptions	988,580	\$ 984,956
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	33,413	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>164,099</u>	<u>223,573</u>
Total	<u>\$ 1,301,634</u>	<u>\$ 1,208,529</u>

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:

<u>Year Ending June 30,</u>	<u>Total</u>
2019	\$ 136,644
2020	136,644
2021	100,126
2022	(177,573)
2023	(102,736)
Thereafter	<u>-</u>
	<u>\$ 93,105</u>

**CLOSTER 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)

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.

**CLOSTER 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%

**CLOSTER 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 (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 6,087,397</u>	<u>\$ 4,906,944</u>	<u>\$ 3,923,480</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.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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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 \$4,337,648 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 \$62,614,967. 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 .09287 percent, which was a decrease of .00029 percent from its proportionate share measured as of June 30, 2016 of .09316 percent.

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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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.

**CLOSTER 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%

**CLOSTER BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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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:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
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 <u>(3.25%)</u>	Current Discount Rate <u>(4.25%)</u>	1% Increase <u>(5.25%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 74,388,545</u>	<u>\$ 62,614,967</u>	<u>\$ 52,915,842</u>

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.

**CLOSTER BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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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.

**CLOSTER 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.

**CLOSTER 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 \$907,549, \$870,374 and \$888,112, 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.

**CLOSTER 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 \$2,167,306. 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 \$33,879,696. 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 .06316 percent, which was an increase of .00029 percent from its proportionate share measured as of June 30, 2016 of .06287 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.

**CLOSTER 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.

**CLOSTER 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	\$ <u>36,356,627</u>
Changes Recognized for the Fiscal Year:	
Service Cost	1,568,114
Interest on the Total OPEB Liability	1,068,374
Changes of Assumptions	(4,475,998)
Gross Benefit Payments	(661,790)
Contributions from the Member	<u>24,369</u>
Net Changes	<u>(2,476,931)</u>
Balance, June 30, 2017 Measurement Date	\$ <u>33,879,696</u>

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	\$ <u>40,217,643</u>	\$ <u>33,879,696</u>	\$ <u>28,852,376</u>

**CLOSTER 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%</u> <u>Decrease</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability (School Retirees)	\$ <u>27,862,775</u>	\$ <u>33,879,696</u>	\$ <u>41,870,097</u>

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.

The New Jersey Housing and Mortgage Financing Act (NJSA 55:14K et. seq.) allows for property tax abatements for residential rental housing projects financed by the New Jersey Housing and Mortgage Finance Agency. These property tax abatements last for the term of the original mortgage financing so long as the residential rental housing project remains subject to the NJHMFA Law and regulations. The process begins when the municipality passes by ordinance or resolution, as appropriate, that such residential rental housing project shall be exempt from property tax provided that an agreement is entered into with the housing sponsor for payments in lieu of taxes (PILOTs) to the municipality. The agreement can require the housing sponsor to a PILOT payment to the municipality in an amount up to 20% of the annual gross revenue from each housing project. For the year ended December 31, 2017 the Borough abated property taxes totaling \$116,583 under the NJHMFA program of which \$84,643 represents the District's share.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**CLOSTER 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
REVENUES					
Local Sources					
Property Taxes	\$ 18,443,738		\$ 18,443,738	\$ 18,443,738	
Tuition from Individuals	180,000		180,000	295,218	\$ 115,218
Tuition from LEAs Within the State				59,846	59,846
Interest - Capital Reserve	1,000		1,000	5,945	4,945
Interest				9,676	9,676
Miscellaneous				64,200	64,200
Total Local Sources	18,624,738	-	18,624,738	18,878,623	253,885
State Sources					
Extraordinary Aid				177,880	177,880
Categorical Special Education Aid	379,564	\$ 45,224	424,788	424,788	
Security Aid	18,669		18,669	18,669	
Transportation Aid	17,362		17,362	17,362	
PARCC Readiness Aid	10,720		10,720	10,720	
Per Pupil Growth Aid	10,720		10,720	10,720	
Professional Learning Community Aid	10,830		10,830	10,830	
Non Public Transportation Reimbursement				13,340	13,340
TPAF Social Security Contributions (Non-Budgeted)				720,024	720,024
TPAF Post Retirement Medical Contribution (Non-Budgeted)				907,549	907,549
TPAF Pension - Normal Costs (Non-Budgeted)				1,371,847	1,371,847
TPAF Pension - LTDI Premium (Non-Budgeted)				1,585	1,585
TPAF Pension - NCGI Premium (Non-Budgeted)				33,291	33,291
Total State Sources	447,865	45,224	493,089	3,718,605	3,225,516
Total Revenues	19,072,603	45,224	19,117,827	22,597,228	3,479,401
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	103,100	17,500	120,600	120,498	102
Kindergarten	618,681	121,000	739,681	738,856	825
Grades 1-5	3,426,780	(211,495)	3,215,285	3,215,213	72
Grades 6-8	2,076,908	(72,635)	2,004,273	2,004,273	-
Regular Programs - Home Instruction					
Salaries of Teachers		6,800	6,800	5,471	1,329
Purchased Professional/Educational Services	7,500	(4,500)	3,000	2,194	806
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	276,330	202,665	478,995	478,951	44
Purchased Professional/Educational Services	22,000	9,066	31,066	30,496	570
Purchased Technical Services	32,000	42,605	74,605	62,858	11,747
Other Purchased Services	129,500	(3,900)	125,600	116,047	9,553
General Supplies	451,625	(74,618)	377,007	351,255	25,752
Textbooks	17,850	11,390	29,240	28,963	277
Other Objects	5,000	(1,800)	3,200	1,748	1,452
Total Regular Programs	7,167,274	42,078	7,209,352	7,156,823	52,529
Learning and/or Language Disabilities					
Salaries of Teachers	127,675	4,285	131,960	130,959	1,001
Other Salaries for Instruction	64,053	(52,170)	11,883	11,655	228
General Supplies	1,500	2,359	3,859	3,771	88
Total Learning and/or Language Disabilities	193,228	(45,526)	147,702	146,385	1,317
Resource Room/Resource Center					
Salaries of Teachers	1,034,845	167,741	1,202,586	1,198,501	4,085
General Supplies	7,730	992	8,742	7,006	1,736
Textbooks	3,500	(2,300)	1,200	-	1,200
Total Resource Room/Resource Center	1,046,095	166,433	1,212,528	1,205,507	7,021
Preschool Disabilities - Full - Time					
Salaries of Teachers	103,078	16,699	119,777	119,621	156
Other Salaries for Instruction	147,630	48,719	196,349	193,487	2,862
General Supplies	3,300	(129)	3,171	2,970	201
Total Preschool Disabilities - Full-Time	254,008	65,289	319,297	316,078	3,219
Total Special Education	1,493,331	186,196	1,679,527	1,667,970	11,557

**CLOSTER 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)					
Basic Skills/Remedial					
Salaries of Teachers	\$ 422,034	\$ 9,040	\$ 431,074	\$ 431,069	\$ 5
General Supplies	3,750	-	3,750	3,171	579
Total Basic Skills/Remedial	425,784	9,040	434,824	434,240	584
Bilingual Education					
Salaries of Teachers	264,979	47,940	312,919	312,918	1
General Supplies	2,400	-	2,400	795	1,605
Total Bilingual Education	267,379	47,940	315,319	313,713	1,606
School Sponsored Co/Extra Curricular Activities-Instruction					
Salaries	43,118	914	44,032	44,032	-
Supplies and Materials	4,750	(1,055)	3,695	3,095	600
Other Objects	2,725	-	2,725	1,540	1,185
Total School Sponsored Co/Extra Curricular Activities-Instruction	50,593	(141)	50,452	48,667	1,785
School Sponsored Athletics-Instruction					
Salaries	22,800	-	22,800	21,914	886
Purchased Services	3,175	1,540	4,715	4,013	702
Supplies and Materials	175	1,685	1,860	1,846	14
Other Objects	-	260	260	260	-
Total School Sponsored Athletics-Instruction	26,150	3,485	29,635	28,033	1,602
Summer School-Instruction					
Salaries of Teachers	20,000	(1,967)	18,033	18,033	-
Other Salaries for Instruction	3,500	1,727	5,227	5,226	1
Supplies and Materials	2,800	(2,218)	582	581	1
Total Summer School-Instruction	26,300	(2,458)	23,842	23,840	2
Summer School-Support Services					
Salaries	2,650	305	2,955	2,955	-
Other Objects	-	80	80	74	6
Total Summer School-Support Services	2,650	385	3,035	3,029	6
Total Instruction	9,459,461	286,525	9,745,986	9,676,315	69,671
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs w/in State - Special	303,782	133,775	437,557	437,166	391
Tuition to CSSD and Regional Day Schools	145,360	(41,350)	104,010	88,591	15,419
Tuition to Priv. Sch. for the Disabled - W/I State	299,427	110,910	410,337	410,031	306
Total Undistributed Expenditures - Instruction	748,569	203,335	951,904	935,788	16,116
Attendance and Social Work					
Salaries	70,150	700	70,850	68,759	2,091
Purchased Professional and Technical Services	7,500	-	7,500	6,958	542
Total Attendance and Social Work	77,650	700	78,350	75,717	2,633
Health Services					
Salaries	164,587	17,400	181,987	177,605	4,382
Purchased Professional and Technical Services	5,750	(2,000)	3,750	2,605	1,145
Supplies and Materials	7,500	2,000	9,500	8,840	660
Total Health Services	177,837	17,400	195,237	189,050	6,187
Speech, OT, PT & Related Services					
Salaries	289,389	(26,328)	263,061	256,661	6,400
Purchased Professional-Educational Services	3,800	3,800	3,800	3,800	-
Supplies and Materials	1,050	100	1,150	902	248
Total Speech, OT, PT & Related Services	290,439	(22,428)	268,011	261,363	6,648
Other Support Services - Students - Extra Services					
Salaries	170,810	(50,000)	120,810	120,494	316
Purchased Professional-Educational Services	235,500	17,915	253,415	232,310	21,105
Supplies and Materials	5,000	(2,500)	2,500	2,120	380
Other Objects	500	-	500	150	350
Total Other Supp.Serv. Student - Extra Services	411,810	(34,585)	377,225	355,074	22,151

**CLOSTER 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)					
Other Supp. Serv. - Students - Regular (Guidance)					
Salaries of Other Professional Staff	\$ 165,410	\$ -	\$ 165,410	\$ 165,408	\$ 2
Supplies and Materials	1,200	-	1,200	484	716
Total Guidance	166,610	-	166,610	165,892	718
Child Study Teams					
Salaries of Other Professional Staff	373,209	(7,304)	365,905	365,670	235
Salaries of Secretarial and Clerical Assistants	80,500	(335)	80,165	80,163	2
Purchased Professional-Educational Services	32,000	4,444	36,444	36,444	
Other Purchased Professional and Technical Services	17,000	721	17,721	16,766	955
Other Purchased Services	500	-	500	500	500
Supplies and Materials	10,000	(2,200)	7,800	4,435	3,365
Other Objects	1,400	-	1,400	1,369	31
Total Child Study Teams	514,609	(4,674)	509,935	504,847	5,088
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	110,596	2,150	112,746	110,089	2,657
Purchased Professional-Educational Services	46,500	(102)	46,398	45,969	429
Other Purchased Professional and Technical Services	30,000	(22,150)	7,850	6,380	1,470
Other Purchased Services	300	-	300	300	300
Supplies and Materials	450	-	450	450	450
Other Objects	450	102	552	552	-
Total Improvement of Instructional Services	188,296	(20,000)	168,296	162,990	5,306
Educational Media/School Library					
Salaries	224,826	(76,500)	148,326	147,970	356
Purchased Professional and Technical Services	3,500	-	3,500	3,190	310
Other Purchased Services	10,000	(1,520)	8,480	6,712	1,768
Supplies and Materials	16,000	(834)	15,166	12,740	2,426
Total Educational Media/School Library	254,326	(78,854)	175,472	170,612	4,860
Instructional Staff Training Services					
Salaries of Supervisor of Instruction		-			-
Purchased Professional-Educational Services	34,000	-	34,000	32,815	1,185
Other Purchased Professional and Technical Services	5,750	(2,607)	3,143	1,680	1,463
Other Purchased Services	5,500	2,933	8,433	8,423	10
Supplies and Materials	5,500	(2,776)	2,724	1,544	1,180
Total Instructional Staff Training Services	50,750	(2,450)	48,300	44,462	3,838
Support Services General Administration					
Salaries	425,858	3,535	429,393	429,085	308
Legal Services	30,000	33,200	63,200	55,223	7,977
Audit Fees	20,000	665	20,665	20,665	
Architectural/Engineering Services	13,500	(2,250)	11,250	10,739	511
Other Purchased Professional Services	7,750	(418)	7,332	6,983	349
Purchased Technical Services	2,500	-	2,500	2,070	430
Communications/Telephone	24,750	2,230	26,980	26,962	18
BOE Other Purchased Services	2,800	(1,500)	1,300	1,300	1,300
Miscellaneous Purchased Services	3,000	22,684	25,684	24,577	1,107
General Supplies	5,000	(310)	4,690	2,699	1,991
BOE In-House Training/Meeting Supplies	1,000	310	1,310	1,306	4
Miscellaneous Expenditures	5,500	(200)	5,300	1,560	3,740
BOE Membership Dues and Fees	8,350	-	8,350	8,296	54
Total Support Services General Administration	550,008	57,946	607,954	590,165	17,789
Support Services School Administration					
Salaries of Principals/Asst. Principals	438,724	(3,613)	435,111	435,106	5
Salaries of Other Professional Staff	118,250	3,201	121,451	121,450	1
Salaries of Secretarial and Clerical Assistants	122,940	91	123,031	123,021	10
Other Purchased Services	1,100	(278)	822	822	822
Supplies and Materials	17,000	(2,885)	14,115	6,402	7,713
Other Objects	3,500	5,968	9,468	8,463	1,005
Total Support Services School Administration	701,514	2,484	703,998	694,442	9,556
Central Services					
Salaries	174,560	52,443	227,003	226,898	105
Purchased Technical Services	21,750	605	22,355	21,982	373
Miscellaneous Purchased Services	8,000	505	8,505	7,884	621
Supplies and Materials	5,000	(1,000)	4,000	3,790	210
Miscellaneous Expenditures	750	400	1,150	984	166
Total Central Services	210,060	52,953	263,013	261,538	1,475

**CLOSTER 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)					
Admin. Info. Tech.					
Salaries	\$ 95,250	\$ 4,750	\$ 100,000	\$ 100,000	
Purchased Technical Services	19,000	10,150	29,150	26,738	\$ 2,412
Other Purchased Services	250	-	250	127	123
Supplies and Materials	5,000	(2,000)	3,000	-	3,000
Total Admin. Info. Tech.	119,500	12,900	132,400	126,865	5,535
Required Maintenance for School Facilities					
Salaries	205,900	(5,000)	200,900	199,117	1,783
Cleaning, Repair and Maintenance Services	125,000	(25,592)	99,408	69,713	29,695
Lead Testing of Drinking Water		6,660	6,660	6,660	-
General Supplies	30,000	17,435	47,435	36,856	10,579
Other Objects	1,500	65	1,565	1,562	3
Total Required Maintenance for School Facilities	362,400	(6,432)	355,968	313,908	42,060
Custodial Services					
Salaries	482,570	16,360	498,930	498,342	588
Salaries of Non-Instructional Aides	132,079	5,455	137,534	137,533	1
Purchased Professional and Technical Services	3,450	885	4,335	4,335	-
Cleaning, Repair and Maintenance Services	12,000	(700)	11,300	9,867	1,433
Rental of Land & Building Other than Lease Purchase Agreement	9,000	(45)	8,955	8,229	726
Other Purchased Property Services	14,450	668	15,118	14,133	985
Insurance	141,500	(15,834)	125,666	125,665	1
Miscellaneous Purchased Services	200	-	200	-	200
General Supplies	42,500	592	43,092	42,856	236
Energy (Natural Gas)	105,000	(7,650)	97,350	77,672	19,678
Energy (Electricity)	200,000	-	200,000	156,202	43,798
Energy (Gasoline)	2,000	-	2,000	1,710	290
Other Objects	2,500	-	2,500	1,570	930
Total Custodial Services	1,147,249	(269)	1,146,980	1,078,114	68,866
Care and Upkeep of Grounds					
Cleaning, Repair and Maintenance Service	80,000	5,000	85,000	43,355	41,645
General Supplies	7,500	(2,100)	5,400	536	4,864
Total Care and Upkeep of Grounds	87,500	2,900	90,400	43,891	46,509
Security					
Purchased Professional and Technical Services	500	2,770	3,270	1,702	1,568
Cleaning, Repair and Maintenance Service	12,875	1,915	14,790	14,787	3
General Supplies	2,000	(935)	1,065	1,063	2
Total Security	15,375	3,750	19,125	17,552	1,573
Student Transportation Services					
Salaries of Non-Instructional Aides	8,750	9,670	18,420	18,417	3
Contracted Services - Aid In Lieu of Payments-Non-Public Schools	41,400	6,134	47,534	41,746	5,788
Contracted Services (Between Home and School) - Vendors	32,300	-	32,300	31,553	747
Contracted Services (Other Than Between Home and School) - Vendors	18,000	-	18,000	14,451	3,549
Contracted Services (Special Education Students) - Joint Agreements	181,500	(3,315)	178,185	178,139	46
Total Student Transportation Services	281,950	12,489	294,439	284,306	10,133

**CLOSTER 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)					
Unallocated Benefits- Employee Benefits					
Social Security Contributions	\$ 206,000	\$ 5,736	\$ 211,736	\$ 201,771	\$ 9,965
Other Retirement Contributions - PERS	215,000	(17,550)	197,450	196,765	685
Other Retirement Contribution - Regular	20,000	2,050	22,050	22,044	6
Worker's Compensation	81,005	(12,851)	68,154	68,154	
Health Benefits	2,894,624	(265,895)	2,628,729	2,518,242	110,487
Tuition Reimbursement	15,000	-	15,000	4,000	11,000
Other Employee Benefits	2,500	1,540	4,040	3,951	89
Unused Sick Payment to Terminated/Retired Staff	25,200	(4,180)	21,020	11,445	9,575
Total Unallocated Benefits	3,459,329	(291,150)	3,168,179	3,026,372	141,807
TPAF Post-Retirement Medical Contribution (Non-Budgeted)				907,549	(907,549)
TPAF Pension Contribution-Normal Costs (Non-Budgeted)				1,371,847	(1,371,847)
TPAF Pension Contribution-LTIDI Premium (Non-Budgeted)				1,585	(1,585)
TPAF Pension Contribution-NCGI Premium (Non-Budgeted)				33,291	(33,291)
TPAF Social Security Contributions (Non-Budgeted)				720,024	(720,024)
Total Undistributed Expenditures	9,815,781	(93,985)	9,721,796	12,337,244	(2,615,448)
Total Current Expenditures	19,275,242	192,540	19,467,782	22,013,559	(2,545,777)
CAPITAL OUTLAY					
EQUIPMENT					
Instruction					
Grades 1-3	4,960	352	5,312	5,312	-
Grades 6-8	4,960	352	5,312	5,312	-
Resource Room/Resource Center			5,312	5,312	
Undistributed Expenditures - Instruction			9,595	9,595	9,595
Undistributed Expenditures - Admin Info Technology	68,500	(2,718)	65,782	60,536	5,246
Undistributed Expenditures - Care and Upkeep of Grounds	-	2,100	2,100	2,100	-
Total Equipment	78,420	14,993	93,413	78,572	14,841
Facilities Acquisition and Construction Services					
Architectural/Engineering Services		27,192	27,192	23,170	4,022
Construction Services	28,000	550,215	578,215	549,342	28,873
Assessment for Debt Service on SDA Funding	14,941	-	14,941	14,941	-
Total Facilities Acquisition and Construction Services	42,941	577,407	620,348	587,453	32,895
Interest Deposit to Capital Reserve	1,000	-	1,000	-	1,000
Total Capital Outlay	122,361	592,400	714,761	666,025	48,736
Total General Fund Expenditures	19,397,603	784,940	20,182,543	22,679,584	(2,497,041)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(325,000)	(739,716)	(1,064,716)	(82,356)	982,360
Fund Balance, Beginning of Year	4,123,195	-	4,123,195	4,123,195	-
Fund Balance, End of Year	\$ 3,798,195	\$ (739,716)	\$ 3,058,479	\$ 4,040,839	\$ 982,360
Recapitulation					
Restricted:					
Emergency Reserve				\$ 250,000	
Capital Reserve				2,148,033	
Capital Reserve - Designated for Subsequent Year's Expenditures				317,300	
Excess Surplus - Designated for Subsequent Year's Expenditures				325,000	
Excess Surplus				325,000	
Committed:					
Year-End Encumbrances				69,312	
Assigned:					
Year End Encumbrances				22,068	
Unassigned Fund Balance				584,126	
				4,040,839	
Reconciliation to Governmental Fund Statements (GAAP)					
Receivables Not Recognized by GAAP				(39,690)	
Final State Aid Payments				(177,880)	
Extraordinary Aid				-	
Fund Balance, Governmental Statements (GAAP Basis)				\$ 3,823,269	

**CLOSTER BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget to Actual
REVENUES					
Local Sources		\$ 1,805	\$ 1,805	\$ 1,031	\$ 774
Federal Sources	\$ 208,750	63,167	271,917	271,458	459
Total Revenues	<u>208,750</u>	<u>64,972</u>	<u>273,722</u>	<u>272,489</u>	<u>1,233</u>
EXPENDITURES					
Instruction					
Tuition - Other Purchased Services	192,000	(14,489)	177,511	177,511	-
Supplies and Materials	<u>16,750</u>	<u>9,866</u>	<u>26,616</u>	<u>25,383</u>	<u>1,233</u>
Total Instruction	<u>208,750</u>	<u>(4,623)</u>	<u>204,127</u>	<u>202,894</u>	<u>1,233</u>
Support Services					
Other Purchased Services	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Total Support Services	<u>-</u>	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
CAPITAL OUTLAY					
Equipment					
Instructional Equipment	<u>-</u>	<u>9,595</u>	<u>9,595</u>	<u>9,595</u>	<u>-</u>
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>9,595</u>	<u>9,595</u>	<u>9,595</u>	<u>-</u>
Total Expenditures	<u>208,750</u>	<u>64,972</u>	<u>273,722</u>	<u>272,489</u>	<u>1,233</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**CLOSTER 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.

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

	General <u>Fund</u>	Special Revenue <u>Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) revenue from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 22,597,228	\$ 272,489
Difference - Budget to GAAP:		
State Aid payments recognized for GAAP statements, not recognized for budgetary purposes - Prior Year	170,417	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements - Current Year	<u>(217,570)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 22,550,075</u>	<u>\$ 272,489</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) total outflows from the budgetary comparison schedule	<u>\$ 22,679,584</u>	<u>\$ 272,489</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 22,679,584</u>	<u>\$ 272,489</u>

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

**CLOSTER 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)	0.02108%	0.02109%	0.02283%	0.02173%	0.02086%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 4,906,944</u>	<u>\$ 6,245,235</u>	<u>\$ 5,125,484</u>	<u>\$ 4,069,200</u>	<u>\$ 3,986,130</u>
District's Covered-Employee Payroll	<u>\$ 1,401,879</u>	<u>\$ 1,450,556</u>	<u>\$ 1,444,539</u>	<u>\$ 1,438,877</u>	<u>\$ 1,444,074</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	350%	431%	355%	283%	276%
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.

**CLOSTER BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S 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	\$ 195,278	\$ 187,330	\$ 196,300	\$ 180,567	\$ 158,190
Contributions in Relation to the Contractually Required Contributions	<u>195,278</u>	<u>187,330</u>	<u>196,300</u>	<u>180,567</u>	<u>158,190</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	<u>\$ 1,401,879</u>	<u>\$ 1,450,556</u>	<u>\$ 1,444,539</u>	<u>\$ 1,438,877</u>	<u>\$ 1,444,074</u>
Contributions as a Percentage of Covered-Employee Payroll	13.93%	12.91%	13.59%	12.55%	10.95%

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.

**CLOSTER 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)	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>62,614,967</u>	<u>73,284,063</u>	<u>57,612,766</u>	<u>49,936,169</u>	<u>46,868,652</u>
Total	<u>\$ 62,614,967</u>	<u>\$ 73,284,063</u>	<u>\$ 57,612,766</u>	<u>\$ 49,936,169</u>	<u>\$ 46,868,652</u>
District's Covered-Employee Payroll	<u>\$ 9,698,834</u>	<u>\$ 9,481,470</u>	<u>\$ 9,317,249</u>	<u>\$ 9,350,572</u>	<u>\$ 9,307,551</u>
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.

**CLOSTER 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 5.

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

POSTEMPLOYMENT HEALTH BENEFIT PLAN

Last Fiscal Year*

	2018
Total OPEB Liability	
Service Cost	\$ 1,568,114
Interest on the Total OPEB Liability	1,068,374
Changes of Assumptions	(4,475,998)
Gross Benefit Payments	(661,790)
Contribution from the Member	24,369
Net Change in Total OPEB Liability	(2,476,931)
Total OPEB Liability - Beginning	36,356,627
Total OPEB Liability - Ending	\$ 33,879,696
District's Proportionate Share	\$0
State's Proportionate Share	\$ 33,879,696
Total OPEB Liability - Ending	\$ 33,879,696
Covered-Employee Payroll	\$ 11,100,713
Total OPEB Liability as a Percentage of Covered-Employee Payroll:	305.20%

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.

**CLOSTER 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

EXHIBITS D-1, D-2 AND D-3

NOT APPLICABLE

SPECIAL REVENUE FUND

CLOSTER BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	IDEA Part B- Basic	IDEA Pre- School	NCLB Title III	NCLB Title III Immigrant	NCLB Title IV	Local	Total
REVENUES							
Local						\$ 1,031	\$ 1,031
Federal	\$ 226,815	\$ 10,696	\$ 18,902	\$ 5,245	\$ 9,800	-	271,458
Total Revenues	\$ 226,815	\$ 10,696	\$ 18,902	\$ 5,245	\$ 9,800	\$ 1,031	\$ 272,489
EXPENDITURES							
Instruction							
Tuition - Other Purchased Services	\$ 166,815	\$ 10,696					\$ 177,511
Supplies and Materials	-	-	\$ 18,902	\$ 5,245	\$ 205	\$ 1,031	25,383
Total Instruction	166,815	10,696	18,902	5,245	205	1,031	202,894
Support Services							
Other Purchased Services	60,000	-					60,000
Supplies and Materials	-	-	-	-	-	-	-
Total Support Services	60,000	-	-	-	-	-	60,000
CAPITAL OUTLAY							
Equipment							
Instructional Equipment	-	-	-	-	9,595	-	9,595
Total Capital Outlay	-	-	-	-	9,595	-	9,595
Total Expenditures	\$ 226,815	\$ 10,696	\$ 18,902	\$ 5,245	\$ 9,800	\$ 1,031	\$ 272,489

**CLOSTER BOARD OF EDUCATION
SPECIAL REVENUE FUND
PRESCHOOL EDUCATION AID
SCHEDULE OF EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

CAPITAL PROJECTS FUND

NOT APPLICABLE

ENTERPRISE FUND

NOT APPLICABLE

INTERNAL SERVICE FUND

EXHIBITS G-4, G-5 AND G-6

NOT APPLICABLE

FIDUCIARY FUNDS

**CLOSTER BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY ASSETS AND LIABILITIES
JUNE 30, 2018**

	<u>Student</u>	<u>Agency</u>	
	<u>Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 45,249	\$ 5,969	\$ 51,218
Total Assets	<u>\$ 45,249</u>	<u>\$ 5,969</u>	<u>\$ 51,218</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 5,848	\$ 5,848
Due to Student Groups	\$ 45,249		45,249
Due to Other Funds	<u>-</u>	<u>121</u>	<u>121</u>
Total Liabilities	<u>\$ 45,249</u>	<u>\$ 5,969</u>	<u>\$ 51,218</u>

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

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

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

<u>School</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2018</u>
ELEMENTARY SCHOOL				
Hillside	\$ 21,223	\$ 37,508	\$ 30,346	\$ 28,385
MIDDLE SCHOOL				
Tenakill	<u>15,861</u>	<u>173,182</u>	<u>172,179</u>	<u>16,864</u>
Total	<u>\$ 37,084</u>	<u>\$ 210,690</u>	<u>\$ 202,525</u>	<u>\$ 45,249</u>

EXHIBIT H-4

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

	<u>Balance, July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2018</u>
Due to Other Funds	\$ 72	\$ 762	\$ 713	\$ 121
Payroll Deductions and Withholdings	6,809	6,599,774	6,600,735	5,848
Accrued Salaries and Wages	<u>-</u>	<u>7,471,264</u>	<u>7,471,264</u>	<u>-</u>
	<u>\$ 6,881</u>	<u>\$ 14,071,800</u>	<u>\$ 14,072,712</u>	<u>\$ 5,969</u>

LONG-TERM DEBT

**CLOSTER BOARD OF EDUCATION
LONG-TERM DEBT
STATEMENT 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, July 1, 2017</u>	<u>Retirements</u>	<u>Balance, June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>				
School Refunding Bonds	8/1/2013	\$ 2,790,000	4-1-2019	\$ 280,000	2.350 %			
			4-1-2020	275,000	2.350			
			4-1-2021	270,000	2.350			
			4-1-2022	270,000	2.350			
			4-1-2023	270,000	2.350			
			4-1-2024	270,000	2.350			
						\$ 1,920,000	\$ 285,000	\$ 1,635,000
						<u>\$ 1,920,000</u>	<u>\$ 285,000</u>	<u>\$ 1,635,000</u>

**CLOSTER BOARD OF EDUCATION
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

**CLOSTER BOARD OF EDUCATION
DEBT SERVICE 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:					
Local Tax Levy	\$ 330,119	-	\$ 330,119	\$ 330,119	-
Total Revenues	<u>330,119</u>	<u>-</u>	<u>330,119</u>	<u>330,119</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	45,120		45,120	45,120	
Redemption of Principal	285,000	-	285,000	285,000	-
Total Regular Debt Service	<u>330,120</u>	<u>-</u>	<u>330,120</u>	<u>330,120</u>	<u>-</u>
Total Expenditures	<u>330,120</u>	<u>-</u>	<u>330,120</u>	<u>330,120</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>
<u>Recapitulation of Fund Balance:</u>					
Designated for Subsequent Year's Expenditures				<u>\$ 1</u>	

STATISTICAL SECTION

This part of the Closter'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.

CLOSTER 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
			(1)			(2)				
Governmental activities										
Net Investment in Capital Assets	\$ 5,867,349	\$ 6,392,442	\$ 6,916,987	\$ 8,356,593	\$ 8,869,125	\$ 9,814,001	\$ 11,006,875	\$ 11,988,061	\$ 12,698,521	\$ 12,857,332
Restricted	532,393	984,293	1,767,587	1,922,610	2,125,103	2,590,536	2,826,876	2,929,437	2,096,757	2,465,334
Unrestricted	1,089,287	768,282	1,183,408	1,270,228	1,554,013	(2,721,410)	(2,949,655)	(3,286,663)	(3,162,132)	(3,840,268)
Total governmental activities net position	<u>\$ 7,489,029</u>	<u>\$ 8,145,017</u>	<u>\$ 9,867,982</u>	<u>\$ 11,549,431</u>	<u>\$ 12,548,241</u>	<u>\$ 9,683,127</u>	<u>\$ 10,884,096</u>	<u>\$ 11,630,835</u>	<u>\$ 11,633,146</u>	<u>\$ 11,482,398</u>
Business-type activities										
Net Investment in Capital Assets										
Restricted										
Unrestricted	\$ 4,162	\$ 10,332	\$ 16,897	\$ 6,198	\$ 4,609	\$ 7,490	\$ 6,837	\$ 8,615	\$ 8,922	\$ 21,345
Total business-type activities net position	<u>\$ 4,162</u>	<u>\$ 10,332</u>	<u>\$ 16,897</u>	<u>\$ 6,198</u>	<u>\$ 4,609</u>	<u>\$ 7,490</u>	<u>\$ 6,837</u>	<u>\$ 8,615</u>	<u>\$ 8,922</u>	<u>\$ 21,345</u>
District-wide										
Net Investment in Capital Assets	\$ 5,867,349	\$ 6,392,442	\$ 6,916,987	\$ 8,356,593	\$ 8,869,125	\$ 9,814,001	\$ 11,006,875	\$ 11,988,061	\$ 12,698,521	\$ 12,857,332
Restricted	532,393	984,293	1,767,587	1,922,610	2,125,103	2,590,536	2,826,876	2,929,437	2,096,757	2,465,334
Unrestricted	1,093,449	778,614	1,200,305	1,276,426	1,558,622	(2,713,920)	(2,942,818)	(3,278,048)	(3,153,210)	(3,818,923)
Total district net position	<u>\$ 7,493,191</u>	<u>\$ 8,155,349</u>	<u>\$ 9,884,879</u>	<u>\$ 11,555,629</u>	<u>\$ 12,552,850</u>	<u>\$ 9,690,617</u>	<u>\$ 10,890,933</u>	<u>\$ 11,639,450</u>	<u>\$ 11,642,068</u>	<u>\$ 11,503,743</u>

Note 1 - Net Position at June 30, 2011 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities".

Note 2 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions".

**CLOSTER BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 7,877,844	\$ 8,240,288	\$ 7,958,452	\$ 8,416,751	\$ 9,082,284	\$ 8,910,684	\$ 10,553,914	\$ 11,595,317	\$ 13,109,487	\$ 13,159,162
Special education	2,258,068	2,378,069	1,991,587	2,417,396	2,563,227	2,478,622	3,021,629	3,231,625	3,622,128	4,231,585
Other instruction	800,088	864,669	868,239	933,409	1,045,101	929,029	1,095,323	1,219,704	1,425,230	1,543,864
School Sponsored Activities and Athletics	71,845	78,481	85,403	90,028	91,524	94,457	104,000	130,874	128,324	138,886
Support Services:										
Student & instruction related services	2,259,022	2,295,601	2,228,355	2,283,250	2,420,970	2,278,238	2,535,342	2,636,135	2,833,221	2,691,068
General administration Services	683,875	645,485	684,289	774,342	782,212	752,564	843,106	781,338	820,760	896,526
School Administration services	952,592	950,387	928,914	974,602	1,013,002	1,046,264	912,043	1,128,951	1,218,962	1,225,447
Business / Central Services	212,980	212,795	318,124	345,204	370,848	347,464	461,551	518,820	594,053	698,980
Plant operations and maintenance	1,581,380	1,577,500	1,491,173	1,460,709	1,524,964	2,163,304	2,344,995	2,389,613	2,658,791	2,569,570
Pupil transportation	396,712	319,614	184,254	161,518	184,151	157,509	198,893	231,204	229,586	292,870
Interest on long-term debt	298,897	268,907	237,825	205,337	168,940	128,803	72,732	61,222	54,437	47,740
Total governmental activities expenses	17,393,303	17,831,796	16,976,615	18,062,546	19,247,223	19,286,938	22,143,528	23,924,801	26,694,979	27,495,698
Business-type activities:										
Food service	45,139	33,311	34,962	51,270	35,506	31,722	34,217	28,978	22,726	9,631
Total business-type activities expense	45,139	33,311	34,962	51,270	35,506	31,722	34,217	28,978	22,726	9,631
Total district expenses	\$ 17,438,442	\$ 17,865,107	\$ 17,011,577	\$ 18,113,816	\$ 19,282,729	\$ 19,318,660	\$ 22,177,745	\$ 23,953,779	\$ 26,717,705	\$ 27,505,329
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 67,500	\$ 101,625	\$ 129,234	\$ 265,204	\$ 346,617	\$ 407,960	\$ 394,577	\$ 423,143	\$ 382,786	\$ 355,064
Operating grants and contributions	1,971,803	2,139,415	1,758,474	2,376,140	2,809,385	2,533,652	4,982,587	5,886,012	7,838,106	8,103,908
Capital grants and contributions	-	-	-	213,168	35,360	22,314	326,736	255,455	-	-
Total governmental activities program revenues	2,039,303	2,241,040	1,887,708	2,854,512	3,191,362	2,963,926	5,703,900	6,564,610	8,220,892	8,458,972
Business-type activities:										
Charges for services:										
Food service	\$ 24,172	\$ 24,322	\$ 25,378	\$ 23,571	\$ 21,536	\$ 20,998	\$ 20,802	\$ 20,505	\$ 15,470	\$ 14,743
Operating grants and contributions	17,188	14,983	15,947	16,873	12,282	13,507	12,691	10,181	7,493	7,214
Total business type activities program revenues	41,360	39,305	41,325	40,444	33,818	34,505	33,493	30,686	22,963	21,957
Total district program revenues	\$ 2,080,663	\$ 2,280,345	\$ 1,929,033	\$ 2,894,956	\$ 3,225,180	\$ 2,998,431	\$ 5,737,393	\$ 6,595,296	\$ 8,243,855	\$ 8,480,929
Net (Expense)/Revenue										
Governmental activities	\$ (15,354,000)	\$ (15,590,756)	\$ (15,088,907)	\$ (15,208,034)	\$ (16,055,861)	\$ (16,323,012)	\$ (16,439,628)	\$ (17,360,191)	\$ (18,474,087)	\$ (19,036,726)
Business-type activities	(3,779)	5,994	6,363	(10,826)	(1,688)	2,783	(724)	1,708	237	12,326
Total district-wide net expense	\$ (15,357,779)	\$ (15,584,762)	\$ (15,082,544)	\$ (15,218,860)	\$ (16,057,549)	\$ (16,320,229)	\$ (16,440,352)	\$ (17,358,483)	\$ (18,473,850)	\$ (19,024,400)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes	\$ 14,924,026	\$ 15,225,195	\$ 15,643,888	\$ 15,722,107	\$ 15,879,328	\$ 16,292,191	\$ 16,892,582	\$ 17,663,255	\$ 18,016,520	\$ 18,443,738
Taxes levied for debt service	1,063,336	1,068,333	1,070,279	1,070,710	1,064,358	1,031,901	663,568	339,646	336,818	330,119
Unrestricted Grants and Contributions	128,468	55,154	7,835	-	-	19984	21,252	31,286	32,300	32,300
Investment earnings	32,361	18,378	24,224	12,379	16,709	16,667	10,436	13,449	14,683	15,621
Miscellaneous income	34,629	44,634	60,398	76,307	49,471	71,006	54,227	69,328	77,091	64,200
Donation of Capital Assets	-	71,104	26,676	7,980	44,805	32,263	-	-	-	-
Total governmental activities	16,182,820	16,482,798	16,833,300	16,889,483	17,054,671	17,444,028	17,640,597	18,106,930	18,476,398	18,885,978
Business-type activities:										
Investment earnings	279	176	202	127	99	98	71	70	70	97
Total business-type activities	279	176	202	127	99	98	71	70	70	97
Total district-wide	\$ 16,183,099	\$ 16,482,974	\$ 16,833,502	\$ 16,889,610	\$ 17,054,770	\$ 17,444,126	\$ 17,640,668	\$ 18,107,000	\$ 18,476,468	\$ 18,886,075
Change in Net Position										
Governmental activities	\$ 828,820	\$ 892,042	\$ 1,744,393	\$ 1,681,449	\$ 998,810	\$ 1,121,016	\$ 1,200,969	\$ 746,739	\$ 2,311	\$ (150,748)
Business-type activities	(3,500)	6,170	6,565	(10,699)	(1,589)	2,881	(653)	1,778	307	12,423
Total district	\$ 825,320	\$ 898,212	\$ 1,750,958	\$ 1,670,750	\$ 997,221	\$ 1,123,897	\$ 1,200,316	\$ 748,517	\$ 2,618	\$ (138,325)

CLOSTER 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	\$ 1,486,071	\$ 1,858,597								
Unreserved	362,446	258,780								
Nonspendable										
Restricted			\$ 2,595,294	\$ 2,957,191	\$ 3,001,539	\$ 2,428,591	\$ 3,291,997	\$ 3,829,436	\$ 2,996,755	\$ 3,365,333
Committed			285,092		766,171	393,062	213,708		584,518	69,312
Assigned			155,747	299,091	125,014	159,919	28,717	79,159	14,113	22,068
Unassigned			309,340	300,853	292,645	332,777	323,309	341,548	357,392	366,556
Total general fund	\$ 1,848,517	\$ 2,117,377	\$ 3,345,473	\$ 3,557,135	\$ 4,185,369	\$ 3,314,349	\$ 3,857,731	\$ 4,250,143	\$ 3,952,778	\$ 3,823,269
All Other Governmental Funds										
Reserved										
Unreserved	\$ 324	\$ 3								
Nonspendable										
Restricted				\$ 15,419	\$ 1	\$ 1,063,382	\$ 434,879	\$ -	\$ 2	\$ 1
Committed										
Assigned			\$ 1							
Unassigned				-	-	-	-	-	-	-
Total all other governmental funds	\$ 324	\$ 3	\$ 1	\$ 15,419	\$ 1	\$ 1,063,382	\$ 434,879	\$ -	\$ 2	\$ 1

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.

CLOSTER 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										
Tax levy	\$ 15,987,362	\$ 16,293,528	\$ 16,714,167	\$ 16,792,817	\$ 16,943,686	\$ 17,324,092	\$ 17,555,950	\$ 18,002,901	\$ 18,353,338	\$ 18,773,857
Tuition charges	67,500	101,625	129,234	265,204	346,617	407,960	394,577	423,143	382,786	355,064
Interest earnings	32,361	18,378	24,224	12,379	16,709	16,667	10,436	13,449	14,683	15,621
Miscellaneous	34,629	49,091	61,907	76,307	49,471	71,006	54,227	69,328	77,091	65,231
State sources	1,863,890	1,860,296	1,480,092	2,175,039	2,590,113	2,308,787	2,841,908	3,124,703	3,148,088	3,671,452
Federal sources	236,381	329,816	284,708	414,269	254,632	247,179	263,007	266,098	259,608	271,458
Total revenue	18,222,123	18,652,734	18,694,332	19,736,015	20,201,228	20,375,691	21,120,105	21,899,622	22,235,594	23,152,683
Expenditures										
Instruction										
Regular instruction	7,803,806	8,042,627	7,662,148	8,120,662	9,152,243	8,878,053	9,002,581	9,711,083	10,017,920	10,545,805
Special education instruction	2,026,672	2,336,912	1,941,754	2,354,035	2,246,804	2,464,945	2,682,844	2,820,378	2,974,372	3,614,452
Other instruction	781,082	837,620	838,462	900,388	993,876	934,454	915,663	978,538	1,050,230	1,179,924
School sponsored activities and athletics	69,525	76,247	82,883	87,242	88,832	94,457	88,850	109,370	97,513	111,612
Support Services:										
Student & inst. related services	2,190,659	2,247,660	2,162,775	2,210,750	2,259,045	2,277,704	2,532,003	2,526,546	2,644,338	2,471,434
General Administration Services	664,922	638,311	665,529	754,057	756,423	729,155	787,190	710,881	713,935	779,134
School Administration services	918,309	933,556	892,506	937,171	991,719	1,015,415	814,011	981,746	965,092	1,003,476
Business / Central Services	207,166	207,277	308,716	334,565	345,562	353,392	396,875	434,009	458,863	561,466
Plant operations and maintenance	1,549,630	1,546,264	1,459,041	1,440,162	1,485,173	1,673,632	1,802,229	1,653,580	1,870,635	1,722,214
Pupil transportation	395,836	319,321	184,030	161,231	183,809	157,509	198,723	230,697	228,349	290,234
Capital outlay	504,562	250,840	137,566	1,077,415	139,774	621,380	1,160,368	1,436,628	1,174,894	672,322
Debt service:										
Principal	759,537	852,302	884,691	917,204	944,682	946,942	648,466	290,000	285,000	285,000
Interest and other charges	306,405	276,899	246,137	214,053	179,996	145,279	75,423	58,632	51,817	45,120
Bond Issuance Costs						23,070				
Advance to Refunding Escrow						42,943				
Total expenditures	18,178,111	18,565,836	17,466,238	19,508,935	19,767,938	20,358,330	21,105,226	21,942,088	22,532,958	23,282,193
Excess (Deficiency) of revenues over (under) expenditures	44,012	86,898	1,228,094	227,080	433,290	17,361	14,879	(42,466)	(297,364)	(129,510)
Other Financing sources (uses)										
Payment to Refunding Bond Escrow Agent						(2,715,000)		-		-
Refunding Bonds Issued						2,790,000		-		-
Capital Lease Proceeds		181,641			179,526					
Transfers in	2			443,861	51,058	1,087,865		55,107		-
Transfers out	(2)			(443,861)	(51,058)	(1,087,865)		(55,107)		-
Total other financing sources (uses)	-	181,641	-	-	179,526	75,000	-	-	-	-
Net change in fund balances	\$ 44,012	\$ 268,539	\$ 1,228,094	\$ 227,080	\$ 612,816	\$ 92,361	\$ 14,879	\$ (42,466)	\$ (297,364)	\$ (129,510)
Debt service as a percentage of noncapital expenditures	6.03%	6.17%	6.53%	6.14%	5.73%	5.87%	3.63%	1.70%	1.58%	1.46%

* Noncapital expenditures are total expenditures less capital outlay.

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

Fiscal Year Ended <u>June 30</u>	<u>Tuition</u>	<u>Interest on Investments</u>	<u>Misc.</u>	<u>Total</u>
2009	\$ 67,500	\$ 32,359	\$ 34,629	\$ 134,488
2010	101,625	18,378	44,634	164,637
2011	129,234	24,224	60,398	213,856
2012	265,204	11,918	76,307	353,429
2013	346,617	16,709	49,471	412,797
2014	407,960	16,667	71,006	495,633
2015	394,577	10,436	54,227	459,240
2016	423,143	13,449	69,328	505,920
2017	382,786	14,683	77,091	474,560
2018	355,064	15,621	64,200	434,885

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

Calendar Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Ofarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2009	\$ 25,624,300	\$ 1,780,304,800	\$ 5,471,800	\$ 31,500	\$ 228,504,900	\$ 21,689,700	\$ 959,600	\$ 2,062,586,600	\$ 6,411,588	\$ 2,068,998,188	\$ 2,074,488,644	\$ 0.780
2010	23,558,800	1,786,602,200	5,471,800	31,500	224,680,900	15,782,200	959,600	2,057,087,000	6,112,619	2,063,199,619	2,063,199,619	0.800
2011	23,262,400	1,791,836,000	5,471,800	31,500	223,086,500	15,045,700	959,600	2,059,693,500	5,669,360	2,065,362,860	2,161,138,793	0.811
2012	24,006,400	1,784,300,900	5,471,800	31,500	220,571,000	15,045,700	959,600	2,050,386,900	5,642,577	2,056,029,477	2,094,167,079	0.821
2013	20,163,200	1,796,514,400	5,471,800	31,500	218,075,800	15,045,700	959,600	2,056,262,000	100,000	2,056,362,000	2,035,360,558	0.834
2014	21,831,400	1,799,979,800	4,541,600	30,500	219,295,200	19,545,700	959,600	2,066,183,800	100,000	2,066,283,800	2,030,585,074	0.844
2015	20,358,100	1,805,323,200	4,541,600	30,500	216,624,800	18,964,000	959,600	2,066,801,800	100,000	2,066,901,800	2,099,516,054	0.860
2016	19,884,100	1,816,990,700	4,612,200	30,500	216,412,100	18,964,000	959,600	2,077,853,200	100,000	2,077,953,200	2,129,915,670	0.875
2017	19,611,500	1,825,939,100	4,612,200	26,200	215,541,300	19,914,000	959,600	2,086,603,900	100,000	2,086,703,900	2,140,987,596	0.890
2018	18,196,800	1,884,747,100	5,037,000	25,100	237,104,000	21,569,100		2,166,679,100	100,000	2,166,779,100	2,168,261,971	0.881

Source: County Abstract of Ratables

a Tax rates are per \$100

N/A = Not Available

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

<u>Calendar Year</u>	<u>Total Direct Tax Rate</u>	<u>Overlapping Rates</u>				<u>Total</u>
		<u>Regional High School District</u>	<u>Municipality</u>	<u>County</u>		
2009 (1)	\$.780	\$.491	\$.478	\$.222	\$1.971	
2010	.800	.506	.495	.212	2.013	
2011	.811	.514	.503	.218	2.046	
2012	.821	.522	.517	.224	2.084	
2013	.834	.520	.521	.227	2.102	
2014	.844	.520	.535	.230	2.129	
2015	.860	.539	.547	.244	2.190	
2016	.875	.553	.549	.262	2.239	
2017	.890	.565	.569	.258	2.282	
2018	.881	.544	.556	.245	2.226	

(1) The Borough underwent a reassessment of real property which became effective in 2009.

Source: Borough of Closter

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

Taxpayer	2018		Taxpayer	2009	
	Taxable Assessed Value	% of Total District Net Assessed Value		Taxable Assessed Value	% of Total District Net Assessed Value
Closter Mktplace (EBA) LLC	\$ 43,775,900	2.02%	Irani-Aspi-Closter Plaza Met.	\$ 31,500,000	1.52%
Closter Grocery	10,050,500	0.46%	United Water New Jersey	9,337,500	0.45%
Capital Young Property LLC	7,728,300	0.36%	Closter Grocery	8,141,300	0.39%
Closter Golf	7,116,400	0.33%	Closter Golf	7,535,000	0.36%
Heidenberg Closter Assoc.	6,855,200	0.32%	Heidenberg Closter Assoc.	7,343,600	0.35%
Suez C/O Altus Group	5,891,200	0.27%	Verizon	5,610,344	0.27%
DWL Monmouth c/o Daniel Cho	4,772,000	0.22%	Weyerhaeuser	5,424,000	0.26%
Fred Reuten, Inc.	4,676,300	0.22%	Closter SHP/Stop & Shop	4,553,500	0.22%
50 Railroad LLC	4,243,600	0.20%	Fred Reuten, Inc.	4,200,000	0.20%
Reuten Associates	4,095,900	0.19%	Reuten Associates	4,009,000	0.19%
	<u>\$ 99,205,300</u>	<u>4.58%</u>		<u>\$ 87,654,244</u>	<u>4.24%</u>

100

Source: Municipal Tax Assessor

**CLOSTER 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	\$ 15,987,362	15,987,362	100.00%	N/A
2010	16,293,528	16,293,528	100.00%	N/A
2011	16,714,167	16,714,167	100.00%	N/A
2012	16,792,817	16,792,817	100.00%	N/A
2013	16,943,686	16,943,686	100.00%	N/A
2014	17,324,092	17,324,092	100.00%	N/A
2015	17,555,950	17,555,950	100.00%	N/A
2016	18,002,901	18,002,901	100.00%	N/A
2017	18,353,338	18,353,338	100.00%	N/A
2018	18,773,857	18,005,367	95.91%	\$ 768,490

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>			Total District	Population	A	Per Capita
	General Obligation Bonds	Lease Purchase Agreements	Intergovernmental Loans Payable				
2009	\$ 5,694,000		\$ 1,559,120	\$ 7,253,120	8,621		\$ 841
2010	5,209,000		1,252,365	6,461,365	8,675		745
2011	4,694,000		943,221	5,637,221	8,430		669
2012	4,149,000		631,564	4,780,564	8,497		563
2013	3,579,000	\$ 119,206	317,202	4,015,408	8,592		467
2014	3,084,000	59,466		3,143,466	8,649		363
2015	2,495,000			2,495,000	8,683		287
2016	2,205,000			2,205,000	8,702		253
2017	1,920,000			1,920,000	8,735		220
2018	1,635,000			1,635,000	8,766		187

Source: District records

A = Estimated

CLOSTER BOARD OF EDUCATION
RATIOS OF NET GENERAL OBLIGATION DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Obligation Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Debt	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 7,253,120		\$ 7,253,120	0.35%	\$ 841
2010	6,461,365		6,461,365	0.31%	745
2011	5,637,221		5,637,221	0.27%	669
2012	4,780,564		4,780,564	0.23%	563
2013	3,896,202		3,896,202	0.19%	453
2014	3,084,000	\$ 8,988	3,075,012	0.15%	356
2015	2,495,000	8,987	2,486,013	0.12%	286
2016	2,205,000	1	2,204,999	0.11%	253
2017	1,920,000	2	1,919,998	0.09%	220
2018	1,635,000	1	1,634,999	0.08%	187

Source: District records

**CLOSTER 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)			
Regional School District	\$ 4,636,688	\$ 4,636,688	
Borough of Closter Board of Education	1,920,000	1,920,000	
Borough of Closter	<u>13,758,787</u>	<u>337,991</u>	<u>\$ 13,420,796</u>
	<u>\$ 20,315,475</u>	<u>\$ 6,894,679</u>	<u>13,420,796</u>
Overlapping Debt Apportioned to the Municipality:			
Bergen County:			
County of Bergen (A)			15,731,402
Bergen County Utilities Authority - Waste Water(B)			<u>2,288,390</u>
			<u>18,019,792</u>
 Total Direct and Overlapping Debt			 <u>\$ 31,440,588</u>

Source:

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

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

(B) The debt was computed based upon the real property ration of equalized valuations of all municipalities serviced by the authority.

**CLOSTER BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

Legal Debt Margin Calculation for Fiscal Year 2017

Equalized valuation basis		
2017		\$ 2,154,024,879
2016		2,125,246,190
2015		2,114,158,961
	[A]	<u>\$ 6,393,430,030</u>
Average equalized valuation of taxable property		
	[A/3]	<u>\$ 2,131,143,343</u>
Debt limit (3% of average equalization value)		63,934,300
Total Net Debt Applicable to Limit		<u>1,635,000</u>
Legal debt margin		<u>\$ 62,299,300</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>
Debt limit	\$ 68,388,261	\$ 68,679,745	\$ 67,195,515	\$ 64,608,887	\$ 62,657,788	\$ 61,343,964	\$ 61,356,710	\$ 62,249,565	\$ 63,338,641	\$ 63,934,300
Total net debt applicable to limit	<u>7,253,120</u>	<u>6,461,365</u>	<u>5,637,221</u>	<u>4,780,564</u>	<u>3,896,202</u>	<u>3,084,000</u>	<u>2,495,000</u>	<u>2,205,000</u>	<u>1,920,000</u>	<u>1,635,000</u>
Legal debt margin	<u>\$ 61,135,141</u>	<u>\$ 62,218,380</u>	<u>\$ 61,558,294</u>	<u>\$ 59,828,323</u>	<u>\$ 58,761,586</u>	<u>\$ 58,259,964</u>	<u>\$ 58,861,710</u>	<u>\$ 60,044,565</u>	<u>\$ 61,418,641</u>	<u>\$ 62,299,300</u>
Total net debt applicable to the limit as a percentage of debt limit	10.61%	9.41%	8.39%	7.40%	6.22%	5.03%	4.07%	3.54%	3.03%	2.56%

Source: Annual Debt Statements

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

<u>Year</u>	<u>Population (A)</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2009	8,621	\$ 65,097	4.40%
2010	8,675	66,080	4.50%
2011	8,430	69,044	4.50%
2012	8,497	71,953	4.50%
2013	8,592	71,449	7.70%
2014	8,649	73,293	4.50%
2015	8,683	76,388	3.70%
2016	8,702	77,187	3.20%
2017	8,735	N/A	3.00%
2018	8,766	N/A	N/A

A - Estimated

Source: New Jersey State Department of Education

N/A = Not Available

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

Employer	2018		2009	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment

NOT AVAILABLE

**CLOSTER 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	74.5	69.0	67.0	68.5	68.0	67.0	64.0	65.0	85.0	72.6
Special education	11.6	12.8	13.0	11.5	14.0	13.0	13.5	13.0	22.5	18.2
Other instruction (ESL, Basic)	7.5	6.5	7.0	4.5	4.0	4.0	4.0	4.0	7.0	8.0
Co-curricular activities	0.2								0.2	0.2
Support Services:										
Student and instruction related services	13.9	46.9	48.4	54.0	60.0	60.0	64.0	72.0	26.0	45.8
General administration	4.8	4.8	4.8	5.6	5.6	5.6	5.0	5.0	5.0	5.8
School administrative services	7.0	7.0	6.6	5.5	5.5	5.5	6.0	6.0	6.0	8.2
Central services	1.0	1.0	2.0	4.0	4.0	4.0	4.0	4.0	2.0	1.0
Plant operations and maintenance	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	12.0	12.0
Pupil transportation	-	-	-	-	-	-	-	-	1.0	0.7
Total	<u>131.5</u>	<u>159.0</u>	<u>159.8</u>	<u>164.6</u>	<u>172.1</u>	<u>170.1</u>	<u>171.5</u>	<u>180.0</u>	<u>166.7</u>	<u>172.5</u>

Source: District Personnel Records

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

Teacher/Pupil Ratio

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff ^b	Elementary	Middle School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	1,191	16,607,607	13,944	0.20%	98.2	11.8	12.8	1,175.0	1,135.0	1.03%	96.60%
2010	1,155	17,185,795	14,879	6.71%	98.2	11.8	12.8	1,147.0	1,112.0	-2.38%	96.95%
2011	1,138	16,197,844	14,234	-4.34%	99.4	11.8	12.8	1,132.0	1,093.0	-1.31%	96.55%
2012	1,127	17,302,450	15,353	7.86%	100.5	11.9	11.5	1,121.5	1,077.8	-0.93%	96.10%
2013	1,123	18,503,486	16,477	7.32%	104.5	11.3	11.8	1,123.3	1,081.0	0.16%	96.23%
2014	1,118	18,578,716	16,618	0.86%	104.5	12.06	11.1	1,123.9	1,084.7	0.05%	96.51%
2015	1,120	19,220,969	17,162	3.27%	101.0	11.08	12.6	1,120.5	1,082.6	-0.30%	96.62%
2016	1,114	20,156,828	18,094	5.43%	103.0	11.42	12.4	1,117.8	1,078.5	-0.24%	96.48%
2017	1,155	21,021,247	18,200	0.59%	105.0	12.1	12.1	1,131.5	1,087.7	1.23%	96.13%
2018	1,167	22,279,751	19,091	4.90%	98.7	11.70	11.9	1,165.7	1,120.2	3.02%	96.10%

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.

N/A - Not Available

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

	<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>
<u>District Building</u>										
<u>Hillside Elementary School</u>										
Square Feet	61,650	61,650	61,650	61,650	61,650	61,650	61,650	61,650	61,650	61,650
Capacity (students)	666	666	666	666	666	666	666	666	666	666
Enrollment	600	592	586	561	565	562	577	617	652	684
<u>Tenakill Middle School</u>										
Square Feet	80,655	80,655	80,655	80,655	80,655	80,655	80,655	80,655	80,655	80,655
Capacity (students)	635	635	635	635	635	635	635	635	635	635
Enrollment	570	546	546	560	558	556	544	497	503	483

110

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

Source: District Records

**CLOSTER BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
LAST TEN YEARS
(Unaudited)**

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

	Project # (s)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
*School Facilities											
Hillside School	N/A	\$ 203,620	\$ 168,375	\$ 164,742	\$ 159,031	\$ 173,758	\$ 202,406	\$ 184,374	\$ 211,589	\$ 214,809	\$ 176,262
Tenakill School	N/A	186,654	212,627	154,953	200,564	153,847	158,063	143,982	165,235	167,748	137,646
Grand Total		<u>\$ 390,274</u>	<u>\$ 381,002</u>	<u>\$ 319,695</u>	<u>\$ 359,595</u>	<u>\$ 327,605</u>	<u>\$ 360,469</u>	<u>\$ 328,356</u>	<u>\$ 376,824</u>	<u>\$ 382,557</u>	<u>\$ 313,908</u>

Source: District Records

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

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Great American Insurance Co.		
Property-Blanket Building/Contents	\$ 48,004,943	\$ 5,000
General Liability - General Aggregate	\$ 2,000,000	
General Liability - Each Occurrence	\$ 1,000,000	
Commercial Auto Liability	\$ 1,000,000	\$ 1,000
Excess Liability - Firemen's Fund Ins. Co. (per Occurrence & Shared Aggregate)	\$ 50,000,000	
Umbrella Liability - Great American insurance Company		
(Per Occurrence and Aggregate)	\$ 9,000,000	\$ 10,000
Educator's Legal Liability - XL Catlin	\$ 1,000,000	\$ 10,000
Employment Practices Liability - XL Catlin	\$ 1,000,000	\$ 20,000
(Policy Aggregate)	\$ 1,000,000	
Public Employee Dishonesty - Selective Ins. Co. of America		
(per employee)	\$ 100,000	\$ 5,000
(per loss)	\$ 500,000	\$ 1,000
Pollution Liability - Chubb/Ace American		
(per occurrence)	\$ 2,000,000	\$ 15,000
(aggregate)	\$ 4,000,000	
(Group Aggregate)	\$ 20,000,000	
Cyber Liability - Indian Harbor		
(Group Aggregate subject to sub-limits)	\$ 6,000,000	
(1st party - per occurrence)	\$ 1,000,000	
(3rd party per occurrence)	\$ 2,000,000	

Source: School Insurance Records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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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DEBRA GOLLE, CPA
MARK SACO, CPA
SHIRYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, 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
Closter Board of Education
Closter, 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 Closter 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 Closter Board of Education's basic financial statements and have issued our report thereon dated January 24, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Closter 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 Closter Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Closter 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.

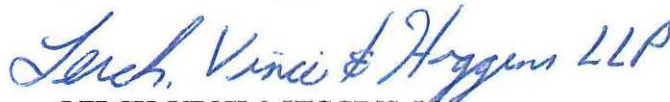
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Closter 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.

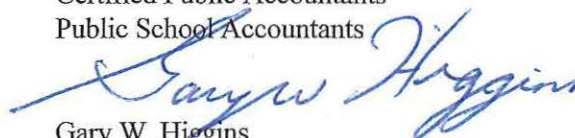
However, we noted a certain matter that is not required to be reported under Government Auditing Standards that we reported to management of the Closter Board of Education in a separate report entitled, “Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance” dated January 24, 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 Closter 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 Closter 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



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
January 24, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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**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
Closter Board of Education
Closter, New Jersey

Report on Compliance for Each Major State Program

We have audited the Closter 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 Closter Board of Education's major state programs for the fiscal year ended June 30, 2018. The Closter 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 Closter 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 Closter 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 Closter Board of Education's compliance.

Opinion on Each Major State Program

In our opinion, the Closter 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.

Report on Internal Control Over Compliance

Management of the Closter 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 Closter 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 Closter 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.

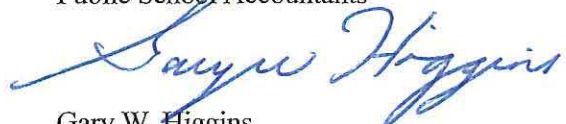
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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 Closter 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 24, 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


Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
January 24, 2019

**CLOSTER BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL OF 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	Grant Period	Award Amount	Balance, July 1, 2017			Cash Received	Budgetary Expenditures	Balance, June 30, 2018			GAAP Receivable
						(Accounts Receivable)	Unearned Revenue	Due to Grantor			(Accounts Receivable)	Unearned Revenue	Due to Grantor	
U.S. Department of Education														
Passed-Through State Department of Education														
Special Revenue Fund:														
Passed-Through Northern Valley														
Regional High School														
NCLB - Title III	84.365	S365A170030	NCLB0930-18	7/1/17-6/30/18	\$ 18,902				\$ 18,880	\$ 18,902	\$ (22)			\$ (22)
NCLB - Title III - Immigrant	84.365	S365A170030	NCLB0930-18	7/1/17-6/30/18	5,245				5,234	5,245	(11)			(11)
NCLB - Title IV	84.365	S424A180031	NCLB0930-18	7/1/17-6/30/18	9,800				9,800	9,800				
I.D.E.A. Part B, Basic	84.027	H027A170100	IDEA0930-18	7/1/17-6/30/18	226,815				226,815	226,815				
I.D.E.A. Part B, Preschool	84.173	HI73A170114	IDEA0930-18	7/1/17-6/30/18	10,696	-	-	-	10,696	10,696	-	-	-	-
Total U.S. Department of Education						-	-	-	271,425	271,458	(33)	-	-	(33)
U.S. Department of Agriculture														
Passed-Through State Department of Education														
Enterprise Fund:														
Special Milk Program	10.556	181NJ304N1099	N/A	7/1/17-6/30/18	7,214				6,671	7,214	(543)			\$ (543)
Special Milk Program	10.556	171NJ304N1099	N/A	7/1/16-6/30/17	7,493	\$ (574)	-	-	574	-	-	-	-	-
Total U.S. Department of Agriculture						(574)	-	-	7,245	7,214	(543)	-	-	(543)
Total Federal Awards						\$ (574)	\$ -	\$ -	\$ 278,670	\$ 278,672	\$ (576)	\$ -	\$ -	\$ (576)

Note: This Schedule was not subject to a Single Audit in accordance with U.S. Uniform Guidance.

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**CLOSTER 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 Received	Balance, July 1, 2017			Cash Received	Budgetary Expenditures	Adjustments	Balance, June 30, 2018			MEMO	
				(Accounts Receivable)	Unearned Revenue	Due to Grantor				Accounts Receivable	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Expenditures
State Department of Education														
General Fund														
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 424,788				\$ 390,596	\$ 424,788		\$ (34,192)			*	\$ 424,788
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	379,564	\$ (30,905)			30,905						*	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	18,669				17,166	18,669		(1,503)			*	18,669
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	18,669	(1,520)			1,520						*	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	10,720				9,857	10,720		(863)			*	10,720
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	10,720	(873)			873						*	
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	10,830				9,958	10,830		(872)			*	10,830
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	10,830	(882)			882						*	
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	10,720				9,857	10,720		(863)			*	10,720
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	10,720	(873)			873						*	
Total State Aid Public Cluster								475,727					*	
Extraordinary Aid	18-495-034-5120-044	7/1/17-6/30/18	177,880					177,880		(177,880)			*	177,880
Extraordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	133,950	(133,950)			133,950						*	
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	17,362				15,965	17,362		(1,397)			*	17,362
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	17,362	(1,414)			1,414						*	
Non Public Transportation Reimb.	18-495-034-5120-014	7/1/17-6/30/18	13,340					13,340		(13,340)			* \$	(13,340) 13,340
Non Public Transportation Reimb.	17-495-034-5120-014	7/1/16-6/30/17	7,134	(7,134)			7,134						*	
Total Transportation Aid Cluster								30,702					*	
TPAF Soc. Sec. Cont.	18-495-034-5094-003	7/1/17-6/30/18	720,024				720,005	720,024		(19)			*	(19) 720,024
TPAF Soc. Sec. Cont.	17-495-034-5094-003	7/1/16-6/30/17	683,757	(33,457)			33,457						*	
On-Behalf Pension LTDI	18-495-034-5094-004	7/1/17-6/30/18	1,585				1,585	1,585					*	1,585
On-Behalf Pension Normal Cost	18-495-034-5094-002	7/1/17-6/30/18	1,371,847				1,371,847	1,371,847					*	1,371,847
On-Behalf Pension NCGI Premium	18-495-034-5094-004	7/1/17-6/30/18	33,291				33,291	33,291					*	33,291
On-Behalf Pension PRM Contr.	18-495-034-5094-001	7/1/17-6/30/18	907,549				907,549	907,549					*	907,549
Total General Fund				(211,008)			3,698,684	3,718,605		(230,929)			*	(13,359) 3,718,605
Total State Financial Assistance Subject to Single Audit Determination				(211,008)			3,698,684	3,718,605		(230,929)			*	(13,359) 3,718,605
State Financial Assistance														
Not Subject to Single Audit Determination														
General Fund														
On-Behalf Pension Normal Cost	18-495-034-5094-002	7/1/17-6/30/18	1,371,847				(1,371,847)	(1,371,847)					*	(1,371,847)
On-Behalf Pension LTDI	18-495-034-5094-004	7/1/17-6/30/18	1,585				(1,585)	(1,585)					*	(1,585)
On-Behalf Pension NCGI Premium	18-495-034-5094-004	7/1/17-6/30/18	33,291				(33,291)	(33,291)					*	(33,291)
On-Behalf Pension PRM Contr.	18-495-034-5094-001	7/1/17-6/30/18	907,549				(907,549)	(907,549)					*	(907,549)
Total State Financial Assistance Subject to Major Program Determination				\$ (211,008)	\$ -	\$ -	\$ 1,384,412	\$ 1,404,333	\$ -	\$ (230,929)	\$ -	\$ -	* \$	(13,359) \$ 1,404,333

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**CLOSTER 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 Closter 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 a decrease of \$47,153 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		\$ 3,671,452	\$ 3,671,452
Special Revenue Fund	\$ 271,458		271,458
Food Service Fund	7,214	-	7,214
	<u>278,672</u>	<u>3,671,452</u>	<u>3,950,124</u>
Total Awards Financial Assistance	\$ 278,672	\$ 3,671,452	\$ 3,950,124

**CLOSTER 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

TPAF Social Security contributions in the amount of \$720,024 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 \$1,405,138, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$907,549 and TPAF Long-Term Disability Insurance in the amount of \$1,585 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 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.

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

Part 2 – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with Chapter 5.18 of *Government Auditing Standards*.

THERE ARE NONE.

**CLOSTER 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 state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Not applicable.

CURRENT YEAR STATE AWARDS

There are none.

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

This section identifies the status of prior-year findings related to the basic financial statements of federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

No prior year findings were reported.