

EAST RUTHERFORD BOARD OF EDUCATION

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

EAST RUTHERFORD, NEW JERSEY

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

East Rutherford Board of Education

East Rutherford, New Jersey

For The Fiscal Year Ended June 30, 2018

Prepared by

Business Office

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INTRODUCTORY SECTION



EAST RUTHERFORD PUBLIC SCHOOLS

Office of the Board of Education

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January 23, 2019

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

Dear Board Members:

State Department of Education statutes require that all School District's prepare a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the East Rutherford Board of Education for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of the East Rutherford Board of Education. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the East Rutherford Board of Education has established a comprehensive internal control framework that is designed both to protect the school district's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the East Rutherford Board of Education's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the East Rutherford Board of Education's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The East Rutherford Board of Education's financial statements have been audited by Lerch, Vinci & Higgins, LLP, a firm of licensed certified public accountants and public school accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the East Rutherford Board of Education for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors' concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the East Rutherford Board of Education's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the East Rutherford Board of Education was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with grant requirements, with special emphasis on internal controls and compliance requirements involving the administration of federal awards and state financial assistance. These reports are available in the Single Audit Section of the East Rutherford Board of Education's CAFR.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The East Rutherford Board of Education's MD&A can be found immediately following the report of the independent auditors'.

1. REPORTING ENTITY AND ITS SERVICES: East Rutherford Board of Education is an independent reporting entity with in the criteria adopted by the GASB as established by NCGA statement No. 14. All funds of the District are included in this report. The East Rutherford Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre Kindergarten through Grade 8. These include both regular and special education programs. The District completed the 2017-2018 school year with an enrollment of 818 students. The following details the changes in the student enrollment of the District over the last several years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017-2018	818	0.37%
2016-2017	815	0.74%
2015-2016	809	5.34%
2014-2015	768	3.22%
2013-2014	744	-3.13%
2012-2013	768	-1.41%
2011-2012	779	1.70%
2010-2011	766	8.65%
2009-2010	705	4.44%
2008-2009	675	-3.29%

2. ECONOMIC CONDITION AND OUTLOOK: The economy of East Rutherford employs approximately 4,900 people. The employers of East Rutherford are specialized in Management of Companies & Enterprises; Information; and Transportation & Warehousing, which employ respectively 15.21: 1.97; and 1.89 times more people than what would be expected in a location of its size. The largest industries in East Rutherford are Healthcare & Social Assistance (620), Manufacturing (509), and Professional, Scientific, Tech Services (498), and the highest paying industries are Real Estate, Leasing (\$76,639), Professional, Scientific, Tech Services (\$72,451), and Finance & Insurance (\$70,729).

Median household income in East Rutherford, NJ is \$76,771. Males in East Rutherford have an average income that is 1.54 times higher than the average income of females, which is \$54,519. The income inequality of East Rutherford (measured using the Gini index) is 0.433 which is lower than the national average.

The median property value in East Rutherford is \$383,300, which is 1.87 times larger than the national average of \$205,000. Between 2015 and 2016 the median property value decreased from \$392,000 to \$383,300, a 2.22% decrease. The homeownership rate of East Rutherford is 38% which is lower than the national average of 64%. People in East Rutherford have an average commute time of 28 minutes, and they commute by Drove Alone. Car ownership in East Rutherford is approximately the same as the national average, with an average of 2 cars per household.

3. MAJOR INITIATIVES:

NJSLS

Mathematics

During the 2018-2019 school year, the district will continue to improve upon lesson planning and an added component to be introduced is Webb's Depth of Knowledge Chart in conjunction with Bloom's Taxonomy. Increasing the rigor of educators' SGOs in Mathematics will also be a central focus. The district will explore a one-year growth model in eight months. Teachers will be introduced to the concept of how to assess their assessments to ensure that they are aligned with the standards and are reflecting appropriate grade level rigor. The District will be implementing a Stack audit of our assessments and will be looking into ways to gain more formative assessment data to inform instruction. (Ex. edConnect & STAR Assessment). With the implementation of "Innovation Time" at the middle school level, students will be encouraged to engage in problem based learning that will promote generalization and real world application of mathematical skills and concepts. Departmental/grade level team meetings will allow for the development of rigorous benchmark assessments aligned to the NJSLS and cross content area lessons. Vertical articulations will be scheduled to analyze the "Mathematics Coherence Maps". The mathematics curriculum will be monitored and revised as needed. Student achievement data will be analyzed and instruction will be reviewed.

In addition to the above, the East Rutherford School District will also seek to further expand its tiered systems of supports to meet the needs of all students, but more specifically, students with disabilities who did not meet the academic target in the area of Math. At the beginning of September 2018, all students K-4 will be screened and will receive levels of supports based on their tier. Those students who meet the criteria will be admitted into our basic skills program at the elementary level. At the middle school level, students with disabilities will receive an extra period of Math to target and remediate deficit areas after disaggregating the PARCC data. In addition to the Basic Skills program, the district will continue with its after school academic intervention program at the elementary level. This program was revamped and expanded in the 17-18 school year wherein students 1st through 8th grade were receiving academic intervention after school. In addition to the after school academic program and the basic skills program, the district is hoping to assign additional certified paraprofessionals per grade level to assist grade level teachers in conducting small group instruction as well as facilitating differentiated instruction within the classrooms. Teachers will receive professional development on student-centered and hands on learning to accommodate the needs of students with disabilities who could benefit from this type of instruction. Finally, the district is aiming to host parent academies to garner parent involvement as well as to provide useful and meaningful strategies to parents to assist their children at home.

NJSLS

Science

The East Rutherford School District will continue to explore ways to enhance the implementation of the NGSS for the 2018-2019 school year. New formative assessment tools such as STEM Gauge offered by measured progress will be introduced to teachers K-8. Teachers K-5 will also be exposed to "Mystery Science." The K-4 schedule will also be revamped to reflect Science instruction on a daily basis. With the implementation of "Innovation time" at the middle school level, students will be encouraged to engage in problem based learning that will promote generalization and real world application of Science skills and concepts. Professional development will be provided through PRISM. Materials and supplies will be purchased to assist with the implementation of the standards grades K-8. Departmental/grade level team meetings will allow for the development of rigorous benchmark assessments and infusing the ELA and Mathematics standards.

NJSLS

ELA

During the 2018-2019 school year, the district will continue to improve upon lesson planning and an added component to be introduced is Webb's Depth of Knowledge Chart in conjunction with Bloom's Taxonomy. Increasing the rigor of educators' SGOs In English Language Arts will also be a central focus. The district will explore a one-year growth model in eight months. Teachers will be introduced to the concept of how to assess their assessments to ensure that they are aligned with the standards and are reflecting appropriate grade level rigor. The District will be implementing a Stack audit of our assessments and will be looking into ways to gain more formative assessment data to inform instruction. (Ex. edConnect & STAR Assessment). Departmental/grade level team meetings will continue to allow for the development of rigorous benchmark assessments aligned to the NJSLS and cross content area lessons. Vertical articulations will be scheduled for continued analysis of the "ELA Coherence Maps". The library/media center continues to facilitate implementation of the NJSLS. Professional development will continue to be provided via learning coaches grades K-8. The district's ELA curriculum will be monitored and revised as needed.

In addition to the above, the East Rutherford School district will also seek to further expand its tiered systems of supports to meet the needs of all students, but more specifically students with disabilities and the Black/African American subgroups who did not meet the academic target in the area of ELA. At the beginning of September 2018, all students K-4 will be screened and will receive levels of supports based on their tier. Those students who meet the criteria will be admitted into our basic skills program at the elementary level. At the middle school level, students with disabilities will receive an extra period of ELA to target and remediate deficit areas after disaggregating the PARCC data. In addition to the Basic Skills program, the district will continue with its after school academic intervention program at the elementary level. This program was revamped and expanded in the 17-18 school year wherein students 1st through 8th grade were receiving academic intervention after school. In addition to the after school academic program and the basic skills program the district is hoping to assign additional certified paraprofessionals per grade level to assist grade level teachers in conducting small group instruction as well as facilitating differentiated instruction within the classrooms. Teachers will receive professional development on student-centered and hands on learning to accommodate the needs of students with disabilities who could benefit from this type of instruction. The ELA department at the middle school level is seeking to integrate more culturally diverse reading literature into its curriculum in order to expose students to diversity and hopefully more materials with which Black/African American students can identify. At the elementary level, the schedule will be revised to reflect balance literacy. A literacy coach will continue to work at the elementary level in assisting teachers in conducting progress monitoring as well as providing Wilson based instruction for struggling readers who fall within these two subgroups. Finally, the district is aiming to host parent academies to garner parent involvement as well as to provide useful and meaningful strategies to parents to assist their children at home.

NJSLS

Social Studies

Departmental/grade level team meetings will continue to allow for the development of rigorous benchmark assessments aligned to the NJSLS while infusing the ELA standards. Scoring these assessments and analyzing the results will be used to monitor and revise instruction. The library/media center continues to facilitate implementation of the NJSLS. The district's curriculum will be monitored and revised as needed. Project based learning addressing the Holocaust, Genocides, and the Amistad will be incorporated into the curriculum.

NJSLS

21st Century Life & Careers

The Career Education program will continue to be offered grades 6 through 8. These students will continue to receive personal finance as a cycle course. Benchmark assessments are administered throughout the duration of the course to ensure that students are meeting standard 9.1. At the elementary level, within the Math curriculum, students are afforded opportunities to work on projects targeting financial literacy. Financial literacy is also embedded in science projects wherein students need to “purchase” materials to conduct experiments. It is also embedded in behavior management systems where students earn “class dollars/money” in order to purchase rewards at class stores. These activities will continue to be infused into the curriculum moving into the 18-19 school year. Professional Development opportunities will be provided through the South Bergen Jointure Commission. The 21st Century Life Standards and Career Ready Practices will continued to be infused into all content areas across all grade levels.

NJSLS

Visual & Performing Arts

The district curriculum will be further revised and updated. Technology will continue to be infused into the visual and performing arts programs. Writing will be encouraged and infused into the visual and performing arts curriculum. With the implementation of “Innovation Time” at the middle school level, students will be encouraged to engage in problem-based learning that will promote generalization and real world application of skills learned in visual arts classes. Revision of lesson plans will be a central focus with the integration of Language Objectives for ESL students. For the 2018-2019 school year in grades K-5 Dance and Theatre will be infused and taught by homeroom teachers. At the middle school level 6-8, the district is currently in the process of revamping its schedule to offer the opportunity of choice in these areas for our students. The district is also in the process of shared conversations with the high school to share the service of a Dance and Theatre teacher.

NJSLS

Health and Physical Education

The integration of the Sanford Harmony Social and Emotional program into the curriculum along with the addition of Dance, and Yoga provides for diversity. Physical education teachers will meet with content area teachers to discuss how content area skills such as English Language Arts and Mathematics can be infused in Health and Physical Education lessons. Revision of lesson plans will be a central focus with the integration of Language Objectives for ESL students. The 150 minutes of CHPE is met and provided on a weekly basis for all grade levels K-8. This was ascertained in our recent QSAC monitoring.

NJSLS

World Languages

The World Language K-6 curriculum will continue to be monitored and revised. Additional online materials will be purchased for these classes as needed. The 7th & 8th grade program will lead to the completion of Spanish I and will enable students the opportunity to test into Spanish II in 9th grade. The required number of minutes for World Language is met at the elementary level this was ascertained in our recent QSAC monitoring.

NJSLS

Technology

Technology continues to be a central focus in East Rutherford. The three (3) year Technology Plan will continue to be implemented. Technology as well as technology standards continue to be infused into all content areas. **Maintain Our School System** The 2018-2019 budget fulfills the district's obligation to align itself with the NJ Student Learning Standards and Services mandated by New Jersey. Items included in our NJQSAC Corrective Action Plan from the previous school year have been completed. The district received its results from the most recent QSAC monitoring. We are currently categorized a "High Performing" district. Curriculum revisions, improved lesson planning, professional development aligned to individual teacher needs, district test analysis, technology and social media tools, the creation of rigorous formative assessments to increase student performance and monitoring student attendance continues to be priority focus of the district. Included in the 2018-2019 budget is an allotment to address curriculum and further implementation of the NGSS as well as acquiring more technology to be infused in instruction across all content areas. Currently, the district continues to foster communication with the South Bergen Jointure and the Bergen County Curriculum Consortium to facilitate our immediate needs.

Raising Standards and Expanding Opportunities

In order to address the academic advancement of different subgroups within district, (Gender, Economically Disadvantaged, Students w/Disabilities, Hispanic/Latino, Asian, Black/African-American and White), in the areas of Mathematics and ELA across grade levels during the 2018-2019 school year, the district will take the following action steps:

- Continue to improve upon lesson planning and an added component to be introduced is Webb's Depth of Knowledge Taxonomy in conjunction with Blooms' Taxonomy. This will encourage teachers to examine their students' learning objectives ensuring that they have appropriate grade-level rigor.
- Putting a measure in place. Increasing the rigor of educators' SGOs and to explore a one-year growth model in eight months.
- Introduce teachers to the concept of how to assess their assessments to ensure that they are aligned with the standards and have rigor. The District will be implementing a Stack audit of our assessments.
- As a District, will be looking into ways to gain more formative assessment data to inform instruction. (Ex. edConnect & STAR Assessment)
- The District will conduct an audit of our elementary level scheduling to see how we can best maximize our instructional time.
- The District will promote student-centered learning by continuing to provide an Instructional Coach in English Language Arts and adding to our instructional team a new Instructional Coach in both Mathematics and Science.

- Ensure programs and initiative are implemented through a planned 2018-2019 school budget.
 - Professional Learning Academies
 - Professional Staff
 - Parents/Guardians
- Implementation of Walk-Throughs
- District Administration will implement a program or incentive to address the Chronic Absenteeism at McKenzie School in the following demographic areas; Two or More Races, Economically Disadvantaged Students, & Students w/Disabilities.

Additionally, the budget will provide new formative assessment tools, teaching materials and supplies to support the implementation of the NGSS to promote problem-based learning as well as acquiring more technology to be infused in instruction across all content areas. Current and prior year assessments will be reviewed by grade level to determine strengths and weaknesses. Teachers will be required to develop and integrate cross-content area lessons. Teachers will be required to increase the rigor of their SGOs by showing a year growth in eight months. Teacher will also be expected to become fluent in assessing the assessments given across grade levels. The district will continue to implement its three-year technology plan. The plan will continue to be a working document with possible revisions throughout the next two years.

Building Professionalism The SCIP and DEAC Committees continue to meet and discuss professional development opportunities for all staff. Learning coaches will be utilized to facilitate in house professional development. PRISM institute will be utilized to provide in house coaching professional development for our teachers in the area of Science. Sanford Harmony will also provide in house training on our new social emotional curriculum for the 2018-2019 school year. The district continues to explore the viability of parent and teacher academies. The mandated teacher evaluation system provides for professional development review and recommendation.

Protecting Our Investment Our five (5) year Security Plan will continue to improve district security which are; maintaining our cameras, possible camera upgrades, door contacts, etc. The East Rutherford Board of Education have been working collaboratively with the East Rutherford Police Department in reviewing our current security plan and started the opening dialogue to address the Active Shooter protocol in continuing to keep our students, staff, and all who visit our schools, safe. School officials will be attending the School Security Specialist training during the summer of 2018.

Planning for the Future Over past two years it is evident that our District School facilities are in need of repairs. More development has been planned by the Borough, which could potentially increase our already crowded schools at both McKenzie and Faust Schools with no available space for additional grade level sections. After two failed school bond referendums, both school and Borough officials will continue to work collaboratively to work on passing a school bond referendum that will address the facility needs and increase in enrollment that the taxpayers will support. (September 2018)

4. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal controls designed to ensure that the assets of the district are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with 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 should not exceed the benefits likely to be derived; and the valuation of costs and benefits requires estimates and judgments by management.

As recipient of federal and state financial assistance, the District also is responsible for ensuring compliance with applicable laws and regulations related to federal and state financial assistance programs, as well as to determine that the District complied with applicable laws and regulations.

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount is 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 cancelled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30.

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

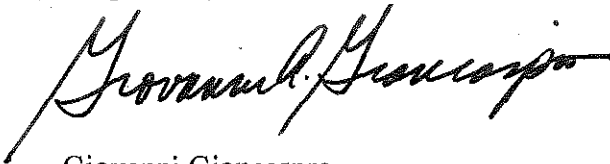
7. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements". The District has adopted a cash management plan which is to deposit public funds in public depositories protected from loss under the provisions of the 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, where the funds are secured in accordance with the Act.

8. RISK MANAGEMENT: The Board carries various forms of insurance including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds, school board errors and omissions, boiler and machinery, and worker's compensation.

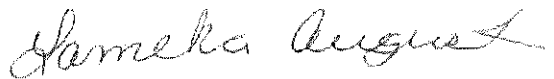
9. OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci and Higgins, LLP was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of U.S. Uniform Guidance and State Treasury OMB Circular Letter 15-08. The auditors' report on the basic financial statements and schedules are included in the financial section of the report. The auditors' reports relating specifically to the Single Audit are included in the Single Audit Section of this report.

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

Respectfully submitted,

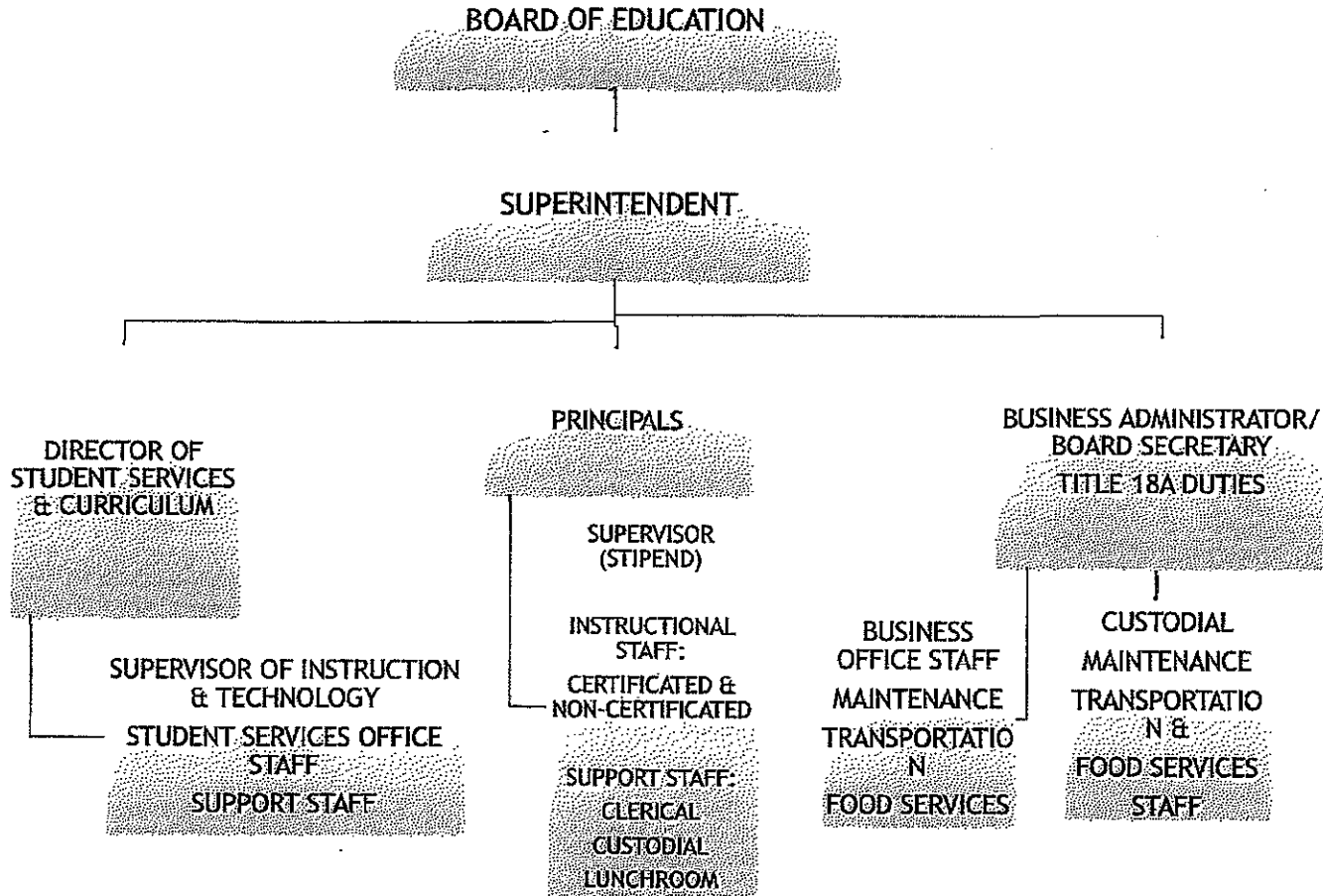


Giovanni Giancaspro
Superintendent of Schools



Lameka Augustin
Business Administrator/Board Secretary

**EAST RUTHERFORD BOARD OF EDUCATION
ORGANIZATIONAL CHART
100 UHLAND STREET EAST RUTHERFORD NJ 07073**



**EAST RUTHERFORD BOARD OF EDUCATION
EAST RUTHERFORD, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Richard Vartan, President	January, 2021
Maria Caruso, Vice-President	January, 2019
Daniel Alvarez	January, 2019
Jason Bulger	January, 2020
Carlo Maucione	January, 2020
ShaVonne Honor	January, 2021
Debra Zoller	January, 2019

OTHER OFFICIALS

Giovanni Giancaspro, Superintendent of Schools

Mark Kramer, Business Administrator/Board Secretary

Diane Chorazy, Treasurer of School Monies

Thomas Kobin, Esq., Solicitor

EAST RUTHERFORD BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

ATTORNEY

Thomas Kobin, Esq.
Chasan, Leyner, Lamparello, P.C.
300 Harmon Meadow Boulevard
Secaucus, New Jersey 07094-3621

OFFICIAL DEPOSITORY

Capital One Bank
145 Route 17 South
East Rutherford, NJ 07073

ARCHITECT OF RECORD

The Architects Alliance
111 Mulberry Street Suite 2-Z
Newark, NJ 07102

FINANCIAL SECTION

LVH 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
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CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
East Rutherford Board of Education
East Rutherford, 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 East Rutherford 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 East Rutherford 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 East Rutherford 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 East Rutherford Board of Education's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the East Rutherford Board of Education.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2019 on our consideration of the East Rutherford 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 East Rutherford 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 East Rutherford Board of Education's internal control over financial reporting and compliance.

Lerch, Vinci & Higgins, LLP

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



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
January 23, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

EAST RUTHERFORD BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The discussion and analysis of the East Rutherford Board of Education's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the financial statements as well as the financial statements themselves to enhance their understanding of the District's financial performance.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflow of resources at the close of the most recent fiscal year by \$1,311,932 (net position).
- Total School District's net position increased \$357,844.
- District-Wide general revenues accounted for \$15,973,525 or 69 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$7,202,036 or 31 percent of total revenues of \$23,175,561.
- Total net position of governmental activities amounted to \$1,193,727 as of June 30, 2018 an increase of \$379,401 from the previous year.
- The District had \$22,442,164 in expenses related to governmental activities; only \$6,848,040 were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$15,973,525 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$18,445,051 in revenues and other financing sources and \$18,089,427 in expenditures. The General Fund's fund balance increased \$355,624 from the previous year to \$1,513,406 at June 30, 2018.
- The General Fund unassigned budgetary fund balance increased \$35,166 from the previous year to \$346,396 at June 30, 2018.
- The District's total outstanding long-term liabilities decreased by \$2,432,639 during the current fiscal year.

EAST RUTHERFORD BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Using the Comprehensive Annual Financial Report (CAFR)

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole 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 tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the district's most significant funds. In the case of the East Rutherford Board of Education, the General Fund is by far the most significant fund.

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during the fiscal year ended June 30, 2018?" The *Statement of Net Position* and the *Statement of Activities*, which appear first in the District's financial statements, report information on the District as a whole and its activities in such a way as to answer this question. These statements include all assets, deferred outflows/inflows of resources and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. 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 District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the District as a whole, if the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the 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 – most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods and services provided. The District's food service program is reported as a business-type activity.

EAST RUTHERFORD BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. The District's governmental funds are the General, Special Revenue and Debt Service Funds.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end available for spending in the future years. These funds are reported using the *modified accrual accounting method*, which measures cash and all other financial assets that can be readily converted into 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 will essentially match the information provided in statements for the District as a whole.

Notes to the Financial Statements

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

The District as a Whole

The *Statement of Net Position* provides the perspectives of the District as a whole, showing assets, deferred outflows of resources, liabilities, deferred inflows of resources and the difference between them (net position). Net position may serve over time as a useful indicator of a government's financial position.

EAST RUTHERFORD BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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

	Net Position					
	As of June 30, 2018 and 2017					
	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
ASSETS						
Current Assets	\$ 1,581,291	\$ 1,380,889	\$ 107,505	\$ 150,579	\$ 1,688,796	\$ 1,531,468
Capital Assets	<u>7,879,641</u>	<u>8,439,994</u>	<u>15,961</u>	<u>13,293</u>	<u>7,895,602</u>	<u>8,453,287</u>
Total Assets	<u>9,460,932</u>	<u>9,820,883</u>	<u>123,466</u>	<u>163,872</u>	<u>9,584,398</u>	<u>9,984,755</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Amount on Refunding of Debt	43,024	61,084			43,024	61,084
Deferred Amount on Net Pension Liability	<u>1,041,490</u>	<u>1,670,068</u>	-	-	<u>1,041,490</u>	<u>1,670,068</u>
Total Deferred Outflows of Resources	<u>1,084,514</u>	<u>1,731,152</u>	-	-	<u>1,084,514</u>	<u>1,731,152</u>
Total Assets and Deferred Outflows of Resources	<u>10,545,446</u>	<u>11,552,035</u>	<u>123,466</u>	<u>163,872</u>	<u>10,668,912</u>	<u>11,715,907</u>
LIABILITIES						
Other Liabilities	121,574	286,983	4,849	23,780	126,423	310,763
Long-Term Liabilities	<u>8,018,087</u>	<u>10,450,726</u>	-	-	<u>8,018,087</u>	<u>10,450,726</u>
Total Liabilities	<u>8,139,661</u>	<u>10,737,709</u>	<u>4,849</u>	<u>23,780</u>	<u>8,144,510</u>	<u>10,761,489</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Amount on Net Pension Liability	1,212,058	-			1,212,058	-
Deferred Commodities Revenue	-	-	412	330	412	330
Total Deferred Inflows of Resources	<u>1,212,058</u>	-	<u>412</u>	<u>330</u>	<u>1,212,470</u>	<u>330</u>
Total Liabilities and Deferred Inflows of Resource	<u>9,351,719</u>	<u>10,737,709</u>	<u>5,261</u>	<u>24,110</u>	<u>9,356,980</u>	<u>10,761,819</u>
NET POSITION						
Net Investment in Capital Assets	4,130,155	4,088,243	15,961	13,293	4,146,116	4,101,536
Restricted	902,877	900,906			902,877	900,906
Unrestricted	<u>(3,839,305)</u>	<u>(4,174,823)</u>	<u>102,244</u>	<u>126,469</u>	<u>(3,737,061)</u>	<u>(4,048,354)</u>
Total Net Position	<u>\$ 1,193,727</u>	<u>\$ 814,326</u>	<u>\$ 118,205</u>	<u>\$ 139,762</u>	<u>\$ 1,311,932</u>	<u>\$ 954,088</u>

The District's combined net position was \$1,311,932 and \$954,088 at June 30, 2018 and 2017, respectively. This was an increase of \$357,844 or 38 percent from the prior year. The increase is mainly attributable to a decrease in the District net pension liability reported at year end and the corresponding reduction in pension expense accrued for the current fiscal year.

EAST RUTHERFORD BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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

Change in Net Position
for the Fiscal Years Ended June 30, 2018 and 2017

Revenues	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Program Revenues						
Charges for Services	\$ 86,489	\$ 84,200	\$ 149,445	\$ 134,751	\$ 235,934	\$ 218,951
Operating Grants and Contributions	6,761,551	6,255,122	204,551	206,034	6,966,102	6,461,156
General Revenues						
Property Taxes	15,776,159	14,811,214			15,776,159	14,811,214
Unrestricted State Aid	24,507	24,235			24,507	24,235
Other	172,859	95,836	-	-	172,859	95,836
Total Revenues	<u>22,821,565</u>	<u>21,270,607</u>	<u>353,996</u>	<u>340,785</u>	<u>23,175,561</u>	<u>21,611,392</u>
Expenses						
Instruction						
Regular	11,106,537	10,254,758			11,106,537	10,254,758
Special Education	3,770,674	3,571,227			3,770,674	3,571,227
Other Instruction	695,277	707,483			695,277	707,483
School Sponsored Activities and Athletics	66,901	68,727			66,901	68,727
Support Services						
Student and Instruction Related Services	2,695,911	2,845,665			2,695,911	2,845,665
General Administration Services	579,582	600,194			579,582	600,194
School Administration Services	859,478	887,991			859,478	887,991
Central and Other Support Services	624,382	601,493			624,382	601,493
Plant Operations and Maintenance	1,347,905	1,467,855			1,347,905	1,467,855
Pupil Transportation	569,592	491,074			569,592	491,074
Interest on Long Term Debt	125,925	150,211			125,925	150,211
Food Service	-	-	375,553	356,201	375,553	356,201
Total Expenses	<u>22,442,164</u>	<u>21,646,678</u>	<u>375,553</u>	<u>356,201</u>	<u>22,817,717</u>	<u>22,002,879</u>
Change in Net Position	379,401	(376,071)	(21,557)	(15,416)	357,844	(391,487)
Beginning of Year, Net Position	<u>814,326</u>	<u>1,190,397</u>	<u>139,762</u>	<u>155,178</u>	<u>954,088</u>	<u>1,345,575</u>
Ending of Year, Net Position	<u>\$ 1,193,727</u>	<u>\$ 814,326</u>	<u>\$ 118,205</u>	<u>\$ 139,762</u>	<u>\$ 1,311,932</u>	<u>\$ 954,088</u>

EAST RUTHERFORD BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Governmental Activities

The District's total revenues were \$22,821,565 and \$21,270,607 for the fiscal years ended June 30, 2018 and 2017, respectively. Property taxes made up 69 percent and 70 percent of revenues for governmental activities for the East Rutherford Board of Education for fiscal years ended June 30, 2018 and 2017, respectively. Federal, state and local grants of \$6,786,058 and \$6,279,357 accounted for another 30 percent and 30 percent of revenues for the fiscal years ended June 30, 2018 and 2017, respectively. The increase in federal, state and local grants for the current year is largely due to the net decrease in on-behalf TPAF pension contribution and increase of on-behalf OPEB post-retirement revenue realized during the current fiscal year due to the enactment of GASB Statement No. 75 Other Postemployment Benefits Other Than Pension reporting requirements.

The total cost of all programs and services was \$20,442,164 and \$21,646,678 for the fiscal years ended June 30, 2018 and 2017, respectively. The increase in expenses for the current year is also due to the net decrease in on-behalf TPAF pension contribution expenses and increase of on-behalf OPEB post-retirement expenses reported for the District. Instruction comprises 70 percent and 67 percent of governmental program expenses for the fiscal years ended June 30, 2018 and 2017, respectively. Support services expenses make up 30 percent and 32 percent of governmental expenses for the fiscal years ended June 30, 2018 and 2017, respectively. The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. The schedule below shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue.

Total and Net Cost of Services
for the Fiscal Years Ended June 30, 2018 and 2017

	<u>Total Cost</u> <u>of Services</u>		<u>Net Cost</u> <u>of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction				
Regular	\$ 11,106,537	\$ 10,254,758	\$ 7,422,828	\$ 6,834,575
Special Education	3,770,674	3,571,227	2,307,078	2,226,972
Other Instruction	695,277	707,483	449,690	460,084
School Sponsored Activities and Athletics	66,901	68,727	46,451	47,916
Support Services				
Student and Instruction Related Services	2,695,911	2,845,665	1,956,244	2,107,416
General Administration Services	579,582	600,194	477,555	509,639
School Administration Services	859,478	887,991	646,894	702,089
Central and Other Support Services	624,382	601,493	505,990	503,953
Plant Operations and Maintenance	1,347,905	1,467,855	1,147,100	1,316,421
Pupil Transportation	569,592	491,074	508,369	448,080
Interest on Long Term Debt	125,925	150,211	125,925	150,211
Total	<u>\$ 22,442,164</u>	<u>\$ 21,646,678</u>	<u>\$ 15,594,124</u>	<u>\$ 15,307,356</u>

The dependence of tax revenues to support governmental activities is apparent.

EAST RUTHERFORD BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Business-Type Activities

The only business-type activity is the food service operation. The program had revenues of \$353,996 and \$340,785 compared to expenses of \$375,553 and \$356,201 in the fiscal years ended June 30, 2018 and 2017, respectively. Of the revenues, \$149,445 and \$134,751 were charges for services paid by patrons for daily food service, \$204,551 and \$206,034 were from State and Federal reimbursements for the fiscal years ended June 30, 2018 and 2017, respectively.

The School 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 \$19,550,930 and \$18,105,584 and expenditures were \$19,289,397 and \$18,181,404 for the fiscal years ended June 30, 2018 and 2017, respectively.

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

<u>Revenue</u>	<u>Fiscal Year</u> <u>Year Ended</u>		<u>Amount of</u> <u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
	<u>2018</u>	<u>2017</u>		
Local Sources	\$ 15,981,887	\$ 14,994,750	\$ 987,137	7%
State Sources	3,117,643	2,691,011	426,632	16%
Federal Sources	<u>451,400</u>	<u>419,823</u>	<u>31,577</u>	8%
Total	<u>\$ 19,550,930</u>	<u>\$ 18,105,584</u>	<u>\$ 1,445,346</u>	8%

For fiscal year 2018 total governmental revenues increased \$1,445,346 or 8% from the previous year. The increase in local sources of \$987,137 or 7% was attributable to an increase in property taxes to support increases in budgeted operating costs. As indicated state sources increased \$426,632 or 16% mainly due to an increase in on-behalf pension contributions made by the State for the District's professional teaching staff. The increase in federal sources of \$31,577 or 8% was a result of increased grant funds earned from ESEA and IDEA grant programs.

EAST RUTHERFORD BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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

<u>Expenditure</u>	<u>Fiscal Year</u> <u>Year Ended</u>		<u>Amount of</u> <u>Increase/</u> <u>(Decrease)</u>	<u>Percent</u> <u>Change</u>
	<u>2018</u>	<u>2017</u>		
Current				
Instruction	\$ 12,487,102	\$ 11,521,392	\$ 965,710	8%
Support Services	5,801,894	5,842,231	(40,337)	-1%
Debt Service	796,239	786,483	9,756	1%
Capital Outlay	204,162	31,298	172,864	552%
Total	<u>\$ 19,289,397</u>	<u>\$ 18,181,404</u>	<u>\$ 1,107,993</u>	6%

For fiscal year 2018, total governmental funds expenditures increased \$1,107,993 or 6%. Increases in instruction costs were attributable to regular and special education programs and decreases in support services costs were attributable to plant operations and maintenance, as well as student and instruction related service costs. Capital outlay increased significantly as a result of the activity related to budgeted capital projects while debt service remained relatively unchanged from the prior year.

Of the governmental funds, the General Fund had \$18,445,051 in revenues and other financing sources (predominately property taxes) and \$18,089,427 in expenditures. As a result, the General Fund's fund balance increased \$355,624 from \$1,157,782 at June 30, 2017 to \$1,513,406 at June 30, 2018.

General Fund Budgetary Highlights

The District's budget is prepared according to New Jersey Law, and is based on accounting for certain transactions on the budgetary basis of accounting for revenues, expenditures and encumbrances. The most significant budget fund is the General Fund.

During the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to prevent over-expenditures in specific line item accounts.

For the fiscal year 2018 General Fund budgetary revenues and other financing sources were more than budgetary expenditures increasing budgetary fund balance \$317,111. After deducting fund balances restricted and assigned, the unassigned budgetary fund balance increased \$35,166 from an unassigned fund balance of \$311,230 at June 30, 2017 to \$346,396 at June 30, 2018. Conversely, restricted fund balance for capital reserve decreased \$109,609 from \$779,866 at June 30, 2017 to \$670,257 at June 30, 2018 while maintenance reserve increased \$111,379 from \$121,040 at June 30, 2017 to \$232,419 at June 30, 2018.

EAST RUTHERFORD BOARD OF EDUCATION
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 had \$7,895,602 and \$8,453,287 invested in land, construction in progress, buildings, site improvements, furniture and equipment and vehicles net of depreciation. Overall capital assets net of accumulated depreciation decreased \$557,685 from fiscal year 2017 to fiscal year 2018. The following schedule is a comparison of capital assets net of depreciation at June 30, 2018 and 2017.

Capital Assets, Net of Depreciation
As of June 30, 2018 and 2017

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 984,211	\$ 984,211		
Construction in Progress	226,687	31,298		
Site Improvements	4,320	16,780		
Building and Building Improvements	6,569,711	7,195,547		
Machinery and Equipment	<u>94,712</u>	<u>212,158</u>	\$ 15,961	\$ 13,293
Total	<u>\$ 7,879,641</u>	<u>\$ 8,439,994</u>	<u>\$ 15,961</u>	<u>\$ 13,293</u>

Additional information on East Rutherford Board of Education's capital assets can be found in Note 3 of this report.

Long-Term Liabilities

At June 30, 2018 and 2017, the District had \$8,018,087 and \$10,450,726 of long-term liabilities, respectively. Of this amount, \$3,792,570 and \$4,412,835 is for bonds payable for school construction, \$60,370 and \$118,433 is for lease-purchase agreements, \$67,032 and \$58,212 is for compensated absences and \$4,098,175 and \$5,861,246 is for the District's net pension liability, respectively. For fiscal year 2018 total outstanding long-term liabilities decreased by \$2,432,639 from the prior year.

Long-Term Liabilities
As of June 30, 2018 and 2017

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Serial Bonds Payable (including premium)	\$ 3,792,510	\$ 4,412,835
Lease-Purchase Agreements	60,370	118,433
Compensated Absences	67,032	58,212
Net Pension Liability	<u>4,098,175</u>	<u>5,861,246</u>
Total	<u>\$ 8,018,087</u>	<u>\$ 10,450,726</u>

Additional information on East Rutherford Board of Education's long-term liabilities can be found in Note 3 of this report.

EAST RUTHERFORD BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

For the Future

The East Rutherford Board of Education is in good financial condition presently. The School District is proud of its community support of the public schools. A major concern is the continued enrollment growth of the District with the increased reliance on local property taxes.

East Rutherford Board of Education's budget for 2018-2019 was approved by the Board in April of 2018. Budgeted expenditures in the General Fund increased 3.21% to \$17,427,830 for fiscal year 2018-2019. A significant portion of this increase was attributable to capital outlay projects that were funded by restricted fund balance from capital reserve.

In conclusion, the East Rutherford Board of Education has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the District's Financial Management

This financial report is designed to provide the citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the School Business Administrator/Board Secretary at East Rutherford Board of Education Board of Education, Administration Office, Uhland and Grove Streets, East Rutherford, New Jersey 07073.

FINANCIAL STATEMENTS

EAST RUTHERFORD BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,436,758	\$ 92,280	\$ 1,529,038
Receivables	144,533	12,400	156,933
Inventory		2,825	2,825
Capital Assets Not Being Depreciated	1,210,898		1,210,898
Capital Assets Being Depreciated, Net	6,668,743	15,961	6,684,704
Total Assets	<u>9,460,932</u>	<u>123,466</u>	<u>9,584,398</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding of Debt	43,024		43,024
Deferred Amount on Net Pension Liability	1,041,490		1,041,490
Total Deferred Outflows of Resources	<u>1,084,514</u>		<u>1,084,514</u>
Total Assets and Deferred Outflows of Resources	<u>10,545,446</u>	<u>123,466</u>	<u>10,668,912</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	50,184	4,849	55,033
Accrued Interest Payable	53,890		53,890
Unearned Revenue	17,500		17,500
Noncurrent Liabilities			
Due Within One Year	687,073		687,073
Due Beyond One Year	7,331,014		7,331,014
Total Liabilities	<u>8,139,661</u>	<u>4,849</u>	<u>8,144,510</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue		412	412
Deferred Amount on Net Pension Liability	1,212,058		1,212,058
Total Deferred Inflows of Resources	<u>1,212,058</u>	<u>412</u>	<u>1,212,470</u>
Total Liabilities and Deferred Inflows of Resources	<u>9,351,719</u>	<u>5,261</u>	<u>9,356,980</u>
NET POSITION			
Net Investment in Capital Assets	4,130,155	15,961	4,146,116
Restricted for:			
Capital Projects	670,257		670,257
Plant Maintenance	232,419		232,419
Debt Service	201		201
Unrestricted	(3,839,305)	102,244	(3,737,061)
Total Net Position	<u>\$ 1,193,727</u>	<u>\$ 118,205</u>	<u>\$ 1,311,932</u>

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

**EAST RUTHERFORD 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	\$ 11,106,537	\$ 67,329	\$ 3,616,380		\$ (7,422,828)		\$ (7,422,828)
Special Education	3,770,674		1,463,596		(2,307,078)		(2,307,078)
Other Instruction	695,277		245,587		(449,690)		(449,690)
School Sponsored Activities and Athletics	66,901		20,450		(46,451)		(46,451)
Support Services							
Student and Instruction Related Svcs.	2,695,911		739,667		(1,956,244)		(1,956,244)
General Administrative Services	579,582		102,027		(477,555)		(477,555)
School Administrative Services	859,478		212,584		(646,894)		(646,894)
Central and Other Support Services	624,382		118,392		(505,990)		(505,990)
Plant Operations and Maintenance	1,347,905	19,160	181,645		(1,147,100)		(1,147,100)
Pupil Transportation	569,592		61,223		(508,369)		(508,369)
Interest on Long-Term Debt	125,925	-			(125,925)		(125,925)
Total Governmental Activities	22,442,164	86,489	6,761,551	-	(15,594,124)	-	(15,594,124)
Business-Type Activities							
Food Service	375,553	149,445	204,551	-		\$ (21,557)	(21,557)
Total Business-Type Activities	375,553	149,445	204,551	-	-	(21,557)	(21,557)
Total Primary Government	\$22,817,717	\$ 235,934	\$ 6,966,102	\$ -	(15,594,124)	(21,557)	(15,615,681)
General Revenues:							
Property Taxes, Levied for General Purposes, Net					15,042,487		15,042,487
Property Taxes Levied for Debt Service, Net					733,672		733,672
Unrestricted State Aid					24,507		24,507
Insurance Recoveries					94,292	-	94,292
Miscellaneous Income					78,567		78,567
Total General Revenues					15,973,525	-	15,973,525
Change in Net Position					379,401	(21,557)	357,844
Net Position, Beginning of Year					814,326	139,762	954,088
Net Position, End of Year					\$ 1,193,727	\$ 118,205	\$ 1,311,932

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

FUND FINANCIAL STATEMENTS

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,436,557		\$ 201	\$ 1,436,758
Receivables:				
Receivables from Other Governments	25,794	\$ 76,341		102,135
Other		40,172		40,172
Due from Other Funds	<u>118,239</u>			<u>118,239</u>
Total Assets	<u>\$ 1,580,590</u>	<u>\$ 116,513</u>	<u>\$ 201</u>	<u>\$ 1,697,304</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 27,124			\$ 27,124
Accrued Salaries and Wages	23,060			23,060
Due to Other Funds		\$ 116,013		116,013
Unearned Revenue	<u>17,000</u>	<u>500</u>		<u>17,500</u>
Total Liabilities	<u>67,184</u>	<u>116,513</u>	<u>-</u>	<u>183,697</u>
Fund Balances				
Restricted				
Capital Reserve	565,257			565,257
Capital Reserve - Designated for Subsequent Year's Expenditures	105,000			105,000
Maintenance Reserve	132,419			132,419
Maintenance Reserve - Designated for Subsequent Year's Expenditures	100,000			100,000
Debt Service			\$ 201	201
Committed				
Insurance Recoveries	94,292			94,292
Assigned				
Year End Encumbrances	32,161			32,161
Designated for Subsequent Year's Expenditures	362,386			362,386
Unassigned				
General Fund	<u>121,891</u>			<u>121,891</u>
Total Fund Balances	<u>1,513,406</u>	<u>-</u>	<u>201</u>	<u>1,513,607</u>
Total Liabilities and Fund Balances	<u>\$ 1,580,590</u>	<u>\$ 116,513</u>	<u>\$ 201</u>	<u>\$ 1,697,304</u>

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

Total Fund Balances (Exhibit B-1)		\$ 1,513,607								
<p>Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:</p>										
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$13,919,272 and the accumulated depreciation is \$6,039,631.</p>		7,879,641								
<p>Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt.</p>		43,024								
<p>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.</p>	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 10px;">Deferred Outflows of Resources</td> <td style="padding-right: 10px;">\$</td> <td style="padding-right: 10px;">1,041,490</td> </tr> <tr> <td>Deferred Inflows of Resources</td> <td></td> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">(1,212,058)</td> </tr> </table>	Deferred Outflows of Resources	\$	1,041,490	Deferred Inflows of Resources		(1,212,058)	(170,568)		
Deferred Outflows of Resources	\$	1,041,490								
Deferred Inflows of Resources		(1,212,058)								
<p>The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is:</p>		(53,890)								
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds . These Items are as follows:</p>	<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="padding-right: 10px;">Bonds Payable, Net</td> <td style="padding-right: 10px;">(3,792,510)</td> </tr> <tr> <td>Lease-Purchase Agreements</td> <td style="padding-right: 10px;">(60,370)</td> </tr> <tr> <td>Compensated Absences Payable</td> <td style="padding-right: 10px;">(67,032)</td> </tr> <tr> <td>Net Pension Liability</td> <td style="border-top: 1px solid black; border-bottom: 1px solid black;">(4,098,175)</td> </tr> </table>	Bonds Payable, Net	(3,792,510)	Lease-Purchase Agreements	(60,370)	Compensated Absences Payable	(67,032)	Net Pension Liability	(4,098,175)	(8,018,087)
Bonds Payable, Net	(3,792,510)									
Lease-Purchase Agreements	(60,370)									
Compensated Absences Payable	(67,032)									
Net Pension Liability	(4,098,175)									
<p>Net position of governmental activities (Exhibit A-1)</p>		<u>\$ 1,193,727</u>								

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Local Sources				
Property Tax Levy	\$ 15,042,487		\$ 733,672	\$ 15,776,159
Tuition	67,329			67,329
Rents	19,160			19,160
Miscellaneous	78,567	\$ 40,672		119,239
Total - Local Sources	15,207,543	40,672	733,672	15,981,887
State Sources	3,116,053	1,590		3,117,643
Federal Sources	27,163	424,237		451,400
Total Revenues	18,350,759	466,499	733,672	19,550,930
EXPENDITURES				
Current				
Instruction				
Regular Instruction	8,265,477	198,940		8,464,417
Special Education Instruction	3,204,939	206,388		3,411,327
Other Instruction	554,372	1,756		556,128
School Sponsored Activities and Athletics	55,230			55,230
Support Services				
Student and Instruction Related Services	2,211,898	59,415		2,271,313
General Administrative Services	514,050			514,050
School Administrative Services	720,190			720,190
Central and Other Support Services	543,462			543,462
Plant Operations and Maintenance	1,255,921			1,255,921
Pupil Transportation	496,958			496,958
Debt Service				
Principal	58,063		605,000	663,063
Interest	4,705		128,471	133,176
Capital Outlay	204,162			204,162
Total Expenditures	18,089,427	466,499	733,471	19,289,397
Excess (Deficiency) of Revenues Over (Under) Expenditures	261,332	-	201	261,533
Other Financing Sources (Uses)				
Insurance Recoveries	94,292			94,292
Total Other Financing Sources (Uses)	94,292	-	-	94,292
Net Change in Fund Balances	355,624	-	201	355,825
Fund Balance, Beginning of Year	1,157,782			1,157,782
Fund Balance, End of Year	\$ 1,513,406	\$ -	\$ 201	\$ 1,513,607

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

**EAST RUTHERFORD BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS 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) **\$ 355,825**

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

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

Capital Outlay	\$ 204,162	
Depreciation Expense	<u>(764,515)</u>	
		(560,353)

In the statement of activities, certain transactions related to the issuance of long term debt are deferred and amortized over the term of the debt. In the governmental funds, these items are reported upon issuance of the debt. This amount represents the current year amortization of the deferred items related to the issuance of long term debt in previous years.

Original Issue Premium	15,325	
Deferred Amount on Refunding of Debt	<u>(18,060)</u>	
		(2,735)

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

Increase in Compensated Absences	(8,820)	
Increase in Pension Expense	<u>(77,565)</u>	
		(86,385)

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.

Principal Repayments		
Bonds Paid	605,000	
Lease-Purchases Paid	<u>58,063</u>	
		663,063

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

Decrease in accrued interest		<u>9,986</u>
------------------------------	--	--------------

Change in net position of governmental activities (Exhibit A-2) **\$ 379,401**

**EAST RUTHERFORD BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2018**

	Business- Type Activities Enterprise Funds <hr/> Food Service <hr/>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 92,280
Intergovernmental Receivable	12,400
Inventories	<u>2,825</u>
Total Current Assets	<u>107,505</u>
Capital Assets	
Machinery and Equipment	71,314
Less: Accumulated Depreciation	<u>(55,353)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>15,961</u>
Total Assets	<u>123,466</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	<u>4,849</u>
Total Current Liabilities	<u>4,849</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Commodities Revenue	<u>412</u>
Total Deferred Inflows of Resources	<u>412</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,261</u>
NET POSITION	
Investment in Capital Assets	15,961
Unrestricted	<u>102,244</u>
Total Net Position	<u><u>\$ 118,205</u></u>

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

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

	<u>Business-Type Activities Enterprise Fund Food Service</u>
Operating Revenues	
Daily Sales - Reimbursable Programs	\$ 110,703
Daily Sales - Non-Reimbursable Programs	38,742
Total Operating Revenues	<u>149,445</u>
Operating Expenses	
Cost of Sales - Reimbursable Programs	144,082
Cost of Sales - Non-Reimbursable Programs	19,202
Salaries and Benefits	122,444
Other Purchased Services	33,049
Management Fee	15,375
Indirect Costs	25,769
Supplies and Materials	8,187
Miscellaneous Expenditures	2,819
Depreciation	4,626
Total Operating Expenses	<u>375,553</u>
Operating Loss	<u>(226,108)</u>
Nonoperating Revenues	
State Sources	
School Lunch Program	3,360
Federal Sources	
National School Breakfast Program	58,407
National School Lunch Program	117,371
Food Distribution Program	25,413
Total Nonoperating Revenues	<u>204,551</u>
Change in Net Position	(21,557)
Net Position, Beginning of Year	<u>139,762</u>
Net Position, End of Year	<u><u>\$ 118,205</u></u>

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

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

	Business-Type Activities Enterprise Funds Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 149,445
Cash Payments for Employees Salaries and Benefits	(122,444)
Cash Payments to Suppliers	(241,222)
	<hr/>
Net Cash Used for Operating Activities	(214,221)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Cash Received from State and Federal Reimbursements	177,186
	<hr/>
Net Cash Provided By Non-Capital Financing Activities	177,186
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(7,294)
	<hr/>
Net Cash Used for Capital and Related Financing Activities	(7,294)
Net Decrease in Cash and Cash Equivalents	(44,329)
Cash and Cash Equivalents—Beginning of Year	136,609
	<hr/>
Cash and Cash Equivalents—End of Year	\$ 92,280
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (226,108)
Adjustments to Reconcile Operating Loss to Net Cash Used For Operating Activities	
Depreciation	4,626
Non-Cash Federal Assistance - Food Distribution Program	25,413
Change in Assets, Liabilities and Deferred Inflows of Resources	
(Increase) Decrease in Inventories	697
Increase (Decrease) in Accounts Payable	(18,931)
Increase (Decrease) in Deferred Commodities Revenue	82
	<hr/>
Total Adjustments	11,887
Net Cash Used For Operating Activities	\$ (214,221)
	<hr/> <hr/>
Non-Cash Financing Activities	
Value Received - Food Distribution Program	\$ 25,495

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

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

	<u>Agency Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>16,504</u>
Total Assets	\$ <u>16,504</u>
 LIABILITIES	
Accrued Salaries and Wages	\$ 1,203
Payroll Deductions and Withholdings	3,974
Due to Other Funds	2,226
Due to Student Groups	<u>9,101</u>
Total Liabilities	\$ <u>16,504</u>

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

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

NOT APPLICABLE

NOTES TO THE FINANCIAL STATEMENTS

**EAST RUTHERFORD 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 East Rutherford 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 seven 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 East Rutherford 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)).

**EAST RUTHERFORD 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)

- 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.

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.

**EAST RUTHERFORD 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 and enterprise funds to be major funds.

The District reports the following major governmental funds:

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

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

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

**EAST RUTHERFORD 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 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 food service to students as well as a la carte and catering services for teachers and special events.

Additionally, the government reports the following fund types:

The *fiduciary 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.

**EAST RUTHERFORD 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. Inventories

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Capital Assets

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.

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

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings and Building Improvements	20-50
Machinery and Equipment	5

5. Deferred Outflows/Inflows of Resources

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Compensated Absences

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

7. Pensions

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

8. Long-Term Obligations

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Net Position/Fund Balance

District-Wide Statements

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

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

Governmental Fund Statements

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

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

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2B).

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

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education. (See Note 2C).

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

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.

Insurance Recoveries – Represents fund balance committed for future expenditures related to unspent insurance proceeds from water damage to the District facilities.

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

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

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

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

In the general operating fund and other governmental funds (debt service fund type), 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 amounts are used only after the other resources have been used.

10. Fund Balance Policies

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 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 and miscellaneous revenues.

2. Property Taxes

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

3. Tuition Revenues and Expenditures

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

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

4. Proprietary Funds, Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund are charges to customers for sales and services. Operating expenses for 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. Federal and State subsidies for the food service operation are considered nonoperating revenues.

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

NOTE 2 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 January 23, 2014, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District’s board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$309,916. The increase was funded by additional appropriation of restricted fund balance, additional state aid and grant awards and the reappropriation of prior year general fund encumbrances. On August 24, 2017 the Board authorized and approved the additional appropriation of \$65,000 of capital reserve in the General Fund.

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 assigned fund balance 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.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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		\$	779,866
Increased by:			
Return of Unexpended			
Budget Appropriations Funded from Reserve	\$	543,613	
Deposits Approved by Board Resolution		<u>51,778</u>	
			<u>595,391</u>
			1,375,257
Withdrawals:			
Approved in District Budget		640,000	
Approved by Board Resolution		<u>65,000</u>	
			<u>705,000</u>
Balance, June 30, 2018		\$	<u>670,257</u>

The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan. \$105,000 of the capital reserve balance at June 30, 2018 was designated and appropriated for use in the 2018/2019 original budget certified for taxes.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Maintenance Reserve

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

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

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

Balance, July 1, 2017		\$	121,040
Increased by:			
Return of Unexpended			
Budget Appropriations Funded from Reserve	\$	68,320	
Deposits Approved by Board Resolution		<u>143,059</u>	
			<u>211,379</u>
			332,419
Withdrawals:			
Approved in District Budget			<u>100,000</u>
Balance, June 30, 2018		\$	<u><u>232,419</u></u>

The June 30, 2018 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$740,082. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities. \$100,000 of the maintenance reserve balance at June 30, 2018 was designated and appropriated for use in the 2018/2019 original budget certified for taxes.

D. Transfers to Capital Outlay

During the 2017/2018 school year, the district transferred \$65,000 to the non-equipment capital outlay accounts. The transfer was made from the capital reserve account to fund pre-development and pre-application costs for architectural, engineering and construction management for school facilities projects in the District's Long Range Facilities Plan.

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

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2018, the book value of the Board's deposits were \$1,545,542 and bank and brokerage firm balances of the Board's deposits amounted to \$2,075,122. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>2,075,122</u>

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

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.

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments (Continued)

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.

B. Receivables

Receivables as of June 30, 2018 for the district’s individual major funds and fiduciary funds in the aggregate, 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:				
Accounts		\$ 40,172		\$ 40,172
Intergovernmental				
Federal		76,341	\$ 12,185	88,526
State	25,794	-	215	26,009
Gross Receivables	25,794	116,513	12,400	154,707
Less: Allowance for Uncollectibles	-	-	-	-
Net Total Receivables	<u>\$ 25,794</u>	<u>\$ 116,513</u>	<u>\$ 12,400</u>	<u>\$ 154,707</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	
Prepaid Tuition Revenue	\$ 17,000
Special Revenue Fund	
Unencumbered Grant Draw Downs	<u>500</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 17,500</u>

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

NOTE 3 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>	Balance, <u>June 30, 2018</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 984,211			\$ 984,211
Construction in Progress	<u>31,298</u>	\$ 195,389	-	<u>226,687</u>
Total Capital Assets, Not Being Depreciated	<u>1,015,509</u>	<u>195,389</u>	-	<u>1,210,898</u>
Capital Assets, Being Depreciated:				
Site Improvements	220,460			220,460
Buildings and Building Improvements	11,700,075			11,700,075
Machinery and equipment	<u>779,066</u>	8,773	-	<u>787,839</u>
Total Capital Assets Being Depreciated	<u>12,699,601</u>	<u>8,773</u>	-	<u>12,708,374</u>
Less Accumulated Depreciation for:				
Site Improvements	(203,680)	(12,460)		(216,140)
Buildings and Building Improvements	(4,504,528)	(625,836)		(5,130,364)
Machinery and Equipment	<u>(566,908)</u>	<u>(126,219)</u>	-	<u>(693,127)</u>
Total Accumulated Depreciation	<u>(5,275,116)</u>	<u>(764,515)</u>	-	<u>(6,039,631)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,424,485</u>	<u>(755,742)</u>	-	<u>6,668,743</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,439,994</u>	<u>\$ (560,353)</u>	<u>\$ -</u>	<u>\$ 7,879,641</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, <u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2018</u>
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 64,020	\$ 7,294	-	\$ 71,314
Total Capital Assets Being Depreciated	<u>64,020</u>	<u>7,294</u>	<u>-</u>	<u>71,314</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(50,727)	(4,626)	-	(55,353)
Total Accumulated Depreciation	<u>(50,727)</u>	<u>(4,626)</u>	<u>-</u>	<u>(55,353)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,293</u>	<u>2,668</u>	<u>-</u>	<u>15,961</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,293</u>	<u>\$ 2,668</u>	<u>\$ -</u>	<u>\$ 15,961</u>

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

Governmental Activities:

Instruction	
Regular	\$ 691,856
Total Instruction	<u>691,856</u>
Support Services	
Student and Instruction Related Services	13,303
Plant Operations And Maintenance	13,417
Pupil Transportation	45,939
Total Support Services	<u>72,659</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 764,515</u>
Business-Type Activities:	
Food Service Fund	<u>\$ 4,626</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 116,013
General Fund	Payroll Agency Fund	<u>2,226</u>
		<u>\$ 118,239</u>

The above balances are the results of amounts deposited in one fund that are due to another fund or to cover cash balances which were in an overdraft position.

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

F. Leases

Lease Purchase Agreement

The District is leasing computer equipment (supplies) totaling \$290,758 under a lease purchase agreement. The lease is for a term of 5 years.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Governmental Activities</u>
2019	<u>\$ 62,768</u>
Total minimum lease payments	62,768
Less: amount representing interest	<u>(2,398)</u>
Present value of minimum lease payments	<u>\$ 60,370</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

General Obligation Bonds

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

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

\$4,575,000, 2010 Refunding Bonds, due in annual installments of \$455,000 to \$475,000 through July 15, 2021 interest at 2.750% to 4.375%	\$ 1,855,000
\$2,491,000, 2012 School Bonds, due in annual installments of \$145,000 to \$210,000 through July 15, 2027 interest at 2.00% to 2.75%	<u>1,901,000</u>
	<u>\$ 3,756,000</u>

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

Governmental Activities:

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 620,000	\$ 106,746	\$ 726,746
2020	625,000	86,354	711,354
2021	635,000	64,978	699,978
2022	645,000	41,991	686,991
2023	200,000	28,565	228,565
2024-2028	<u>1,031,000</u>	<u>68,765</u>	<u>1,099,765</u>
	<u>\$ 3,756,000</u>	<u>\$ 397,399</u>	<u>\$ 4,153,399</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. 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)	\$ 61,412,512
Less: Net Debt Issued	<u>3,756,000</u>
Remaining Borrowing Power	<u>\$ 57,656,512</u>

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

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

	Balance, July 1, 2017	Additions	Reductions	Balance, June 30, 2018	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 4,361,000		\$ 605,000	\$ 3,756,000	\$ 620,000
Add: Premium on Bonds	<u>51,835</u>	-	<u>15,325</u>	<u>36,510</u>	-
Bonds Payable, Net	4,412,835	-	620,325	3,792,510	620,000
Lease-Purchase Agreements	\$ 118,433		58,063	60,370	60,370
Compensated Absences	58,212	\$ 17,980	9,160	67,032	6,703
Net Pension Liability	<u>5,861,246</u>	-	<u>1,763,071</u>	<u>4,098,175</u>	-
Governmental Activity Long-Term Liabilities	<u>\$ 10,450,726</u>	<u>\$ 17,980</u>	<u>\$ 2,450,619</u>	<u>\$ 8,018,087</u>	<u>\$ 687,073</u>

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

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

NOTE 4 OTHER INFORMATION

A. Risk Management

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

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

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

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 respective insurance funds 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.

B. Contingent Liabilities

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

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

C. Federal Arbitrage Regulations

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

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

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost sharing multiple employer defined benefit pension plan.

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

The following represents the membership tiers for PERS:

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

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

The following represent the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon 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.

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.

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Plan Amendments

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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.

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.

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

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

Fiscal Year Ended June 30,	PERS	On-behalf TPAF	DCRP
2018	\$ 163,092	\$ 1,055,537	\$ 10,280
2017	175,812	751,115	8,655
2016	168,185	530,466	6,531

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$351 and \$229, respectively for PERS and the State contributed \$1,266 and \$1,122, 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 \$521,203 during the fiscal year ended June 30, 2018 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

Public Employees Retirement System (PERS)

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

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.

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

NOTE 4 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)

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 \$4,098,175 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 .01761 percent, which was a decrease of .00218 percent from its proportionate share measured as of June 30, 2016 of .01979 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$240,657 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	\$ 96,498	
Changes of Assumptions	825,641	\$ 822,614
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	27,906	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>91,445</u>	<u>389,444</u>
Total	<u>\$ 1,041,490</u>	<u>\$ 1,212,058</u>

**EAST RUTHERFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

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

Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ 50,265
2020	103,661
2021	31,605
2022	(216,883)
2023	<u>(139,216)</u>
	<u>\$ (170,568)</u>

Actuarial Assumptions

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

	<u>PERS</u>
Inflation Rate	2.25 %
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

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

NOTE 4 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%

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

NOTE 4 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>\$ 5,084,064</u>	<u>\$ 4,098,175</u>	<u>\$ 3,276,807</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.

**EAST RUTHERFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 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 \$3,119,020 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both 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 \$45,023,783. 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 .06678 percent, which was an increase of .00052 percent from its proportionate share measured as of June 30, 2016 of .06626 percent.

**EAST RUTHERFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 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.

**EAST RUTHERFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 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%

**EAST RUTHERFORD BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 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>\$ 53,489,667</u>	<u>\$ 45,023,783</u>	<u>\$ 38,049,551</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.

**EAST RUTHERFORD BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 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.

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

NOTE 4 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.

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

NOTE 4 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 \$681,749, \$625,850 and \$631,638, 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.

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

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

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

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$1,794,609. 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 \$29,107,343. 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 .05426 percent, which was a decrease of .00002 percent from its proportionate share measured as of June 30, 2016 of .05428 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.

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

NOTE 4 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.

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

NOTE 4 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 <u>(State Share 100%)</u>
Balance, June 30, 2016 Measurement Date	\$ 31,392,678
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 1,275,197
Interest on the Total OPEB Liability	922,504
Changes of Assumptions	(3,845,501)
Gross Benefit Payments	(661,908)
Contributions from the Member	24,373
Net Changes	<u>\$ (2,285,335)</u>
Balance, June 30, 2017 Measurement Date	<u>\$ 29,107,343</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 <u>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 34,552,516	\$ 29,107,343	\$ 24,788,180

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Sensitivity of OPEB Liability (Continued)

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability (School Retirees)	\$ <u>23,937,976</u>	\$ <u>29,107,343</u>	\$ <u>35,972,202</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.

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

REQUIRED SUPPLEMENTARY INFORMATION - PART II
BUDGETARY COMPARISON SCHEDULES

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

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Property Tax Levy	\$ 15,042,487		\$ 15,042,487	\$ 15,042,487	
Tuition - Individuals	90,000		90,000	67,329	\$ (22,671)
Interest Earned on Capital Reserve Funds	300		300		(300)
Rents	25,000		25,000	19,160	(5,840)
Unrestricted Miscellaneous Revenues	54,700	-	54,700	78,567	23,867
Total Local Sources	15,212,487	-	15,212,487	15,207,543	(4,944)
State Sources					
Categorical Special Education Aid	420,248	\$ 15,027	435,275	435,275	
Categorical Security Aid	124,143		124,143	124,143	
Transportation Aid	42,331		42,331	42,331	
Extraordinary Aid	159,856		159,856	189,659	29,803
PARCC Readiness Aid	7,650		7,650	7,650	
Per Pupil Growth Aid	7,650		7,650	7,650	
Professional Learning Community Aid	8,230		8,230	8,230	
Host District Support Aid	946		946		
Lead Testing for Schools Aid				1,901	1,901
TPAF Pension Contribution (Non-Budget) Normal Cost/ Accrued Liability				1,030,529	1,030,529
TPAF Pension Contribution (Non-Budget) NCGI Premium				25,008	25,008
TPAF Contribution (Non-Budget) LTDI Premium				1,266	1,266
TPAF Contribution (Non-Budget) Post - Retirement Medical Benefits				681,749	681,749
Reimbursed TPAF Social Security Contributions (Non-Budget)	-	-	-	521,203	521,203
Total State Sources	771,054	15,027	786,081	3,077,540	2,291,459
Federal Sources					
Medicaid Reimbursement	22,691	-	22,691	27,163	4,472
Total Federal Sources	22,691	-	22,691	27,163	4,472
Total Revenues	16,006,232	15,027	16,021,259	18,312,246	2,290,987
EXPENDITURES					
CURRENT					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	43,065	23,580	66,645	61,527	5,118
Kindergarten	336,395	2,650	339,045	339,045	
Grades 1-5	2,347,770	(27,329)	2,320,441	2,320,441	
Grades 6-8	2,248,965	(43,504)	2,205,461	2,188,347	17,114
Regular Programs - Home Instruction					
Salaries of Teachers	2,790	3,510	6,300	6,300	
Textbooks	47,100	(47,100)			
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	117,325	89,821	207,146	207,146	
Purchased Professional -Educational Services	180,000	48,060	228,060	228,060	
Purchased Technical Services	67,565	2,330	69,895	69,895	
Other Purchased Services	104,463	(1,827)	102,636	97,509	5,127
General Supplies	145,455	(11,299)	134,156	125,440	8,716
Textbooks	925	45,877	46,802	46,802	-
Total Regular Programs	5,641,818	84,769	5,726,587	5,690,512	36,075
Learning and/or Language Disabilities					
Salaries of Teachers	101,340	(4,201)	97,139	97,139	
Other Salaries for Instruction	74,285	(32,068)	42,217	42,217	
Other Purchased Services		-			
General Supplies	1,739	(474)	1,265	1,265	-
Total Learning and/or Language Disabilities	177,364	(36,743)	140,621	140,621	-

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

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT (Continued)					
Special Education Instruction-Multiple Disabilities					
Salaries of Teachers	\$ 173,365	\$ 284	\$ 173,649	\$ 173,649	
Other Salaries for Instruction	57,240	(357)	56,883	56,883	
General Supplies	1,480	(456)	1,024	1,024	-
Total Special Education - Multiple Disabilities	232,085	(529)	231,556	231,556	-
Special Education Instruction-Resource Room/Center					
Salaries of Teachers	390,040	6,346	396,386	396,386	
Other Salaries for Instruction	208,705	(13,102)	195,603	191,154	\$ 4,449
General Supplies	2,651	(1,887)	764	764	-
Total Resource Room/Resource Center	601,396	(8,643)	592,753	588,304	4,449
Preschool Disabilities - Part Time					
Salaries of Teachers	42,905	(4,005)	38,900	38,900	38,900
Other Salaries for Instruction	21,530	-	21,530	21,530	-
Total Preschool Disabilities - Part Time	64,435	(4,005)	60,430	21,530	38,900
Preschool Disabilities - Full Time					
Salaries of Teachers	116,590	(5)	116,585	116,585	
Other Salaries for Instruction	52,705	(3,566)	49,139	49,139	
General Supplies	980	(980)	-	-	-
Total Preschool Disabilities - Full Time	170,275	(4,551)	165,724	165,724	-
Home Instruction					
Salaries of Teachers	5,125	(1,000)	4,125	2,430	1,695
Total Home Instruction	5,125	(1,000)	4,125	2,430	1,695
Total Special Education	1,250,680	(55,471)	1,195,209	1,150,165	45,044
Basic Skills/Remedial					
Salaries of Teachers	133,880	25,522	159,402	144,261	15,141
General Supplies	4,700	(2,155)	2,545	2,545	-
Total Basic Skills/Remedial	138,580	23,367	161,947	146,806	15,141
Bilingual Education					
Salaries of Teachers	221,250	-	221,250	221,246	4
General Supplies	1,187	(298)	889	889	-
Total Bilingual Education	222,437	(298)	222,139	222,135	4
School Sponsored Co-Curricular Activities					
Salaries	22,710	(871)	21,839	20,173	1,666
Purchased Services	6,200	-	6,200	5,380	820
Supplies and Materials	3,180	-	3,180	2,315	865
Total School Sponsored Co-Curricular Activities	32,090	(871)	31,219	27,868	3,351
School Sponsored Athletics - Instruction					
Salaries	10,500	871	11,371	10,483	888
Purchased Services	1,510	-	1,510	1,203	307
Supplies and Materials	710	-	710	123	587
Total School Sponsored Athletics - Instruction	12,720	871	13,591	11,809	1,782

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

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT (Continued)					
Total Instruction	\$ 7,298,325	\$ 52,367	\$ 7,350,692	\$ 7,249,295	\$ 101,397
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs w/i State - Regular		4	4	2	2
Tuition to Other LEAs w/i State - Special	330,385	190,498	520,883	520,883	
Tuition to CSSD and Regional Day Schools	475,458	(120,910)	354,548	350,048	4,500
Tuition to Priv Sch for Disabled Within State	941,551	(157,551)	784,000	617,886	166,114
Total Undistributed Expenditures - Instruction	1,747,394	(87,959)	1,659,435	1,488,819	170,616
Attendance & Social Work					
Salaries	47,380	(10)	47,370	47,370	-
Total Attendance & Social Work	47,380	(10)	47,370	47,370	-
Health Services					
Salaries	186,075	(6,077)	179,998	179,739	259
Purchased Professional and Technical Services	4,500	9,614	14,114	12,300	1,814
Other Purchased Services	1,340	(334)	1,006	934	72
Supplies and Materials	5,747	1,772	7,519	7,508	11
Total Health Services	197,662	4,975	202,637	200,481	2,156
Speech, OT, PT, and Related Services					
Salaries	201,215	(5,093)	196,122	196,122	
Purchased Prof. Ed. Services	95,300	(2,113)	93,187	61,251	31,936
Supplies and Materials	1,588	(1,060)	528	528	
Other Objects	200	120	320	204	116
Total Speech, OT, PT, and Related Services	298,303	(8,146)	290,157	258,105	32,052
Other Support Services - Students - Extraordinary					
Salaries	20,555	1,148	21,703	21,703	
Purchased Prof. Ed. Services	214,164	62,704	276,868	256,914	19,954
Supplies and Materials	-	100	100	90	10
Total Other Supp.Serv. Student - Extraordinary	234,719	63,952	298,671	278,707	19,964
Guidance					
Salaries of Other Professional Staff	120,905	(756)	120,149	114,557	5,592
Supplies and Materials	5,600	124	5,724	5,670	54
Total Guidance	126,505	(632)	125,873	120,227	5,646
Child Study Teams					
Salaries of Other Professional Staff	469,020	47,820	516,840	516,840	
Salaries of Secretarial & Clerical Assistants	48,570	-	48,570	48,570	
Purchased Prof. Ed. Services	17,837	768	18,605	2,895	15,710
Other Purchased Professional and Technical Services	4,200	-	4,200	4,200	
Miscellaneous Purchased Services	200	(140)	60	60	
Supplies and Materials	5,900	10,718	16,618	16,036	582
Total Child Study Teams	545,727	59,166	604,893	588,601	16,292

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

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT (Continued)					
Improvement of Instructional Services					
Salaries of Supervisors of Instruction	\$ 10,000	\$ 11,000	\$ 21,000	\$ 21,000	
Salaries of Other Professional Staff	3,350	700	4,050	4,050	-
Total Improvement of Instructional Services	13,350	11,700	25,050	25,050	-
Educational Media/School Library					
Salaries	61,230	(3)	61,227	61,227	
Purchased Professional and Technical Services	30,765	(3,911)	26,854	26,854	
Supplies and Materials	969	(969)	-	-	-
Total Educational Media/School Library	92,964	(4,883)	88,081	88,081	-
Instructional Staff Training Services					
Other Purchased Services	1,500	(223)	1,277	1,116	\$ 161
Total Instructional Staff Training Services	1,500	(223)	1,277	1,116	161
Support Services General Administration					
Salaries	208,200	1,339	209,539	209,539	
General Admin Salaries-Governance Staff	3,600	400	4,000	4,000	
Legal Services	61,000	(4,506)	56,494	31,558	24,936
Audit Fees	28,000	25,650	53,650	25,200	28,450
Other Purchased Professional Services	12,100	(416)	11,684	11,684	
Purchased Technical Services	975	-	975	975	
Communications/Telephone	69,174	4,519	73,693	70,271	3,422
BOE Other Purchased Services	5,404	2,862	8,266	6,766	1,500
Miscellaneous Purchased Services	9,525	(949)	8,576	6,118	2,458
General Supplies	1,050	(132)	918	916	2
BOE Training/Meeting Supplies	-	250	250	134	116
Miscellaneous Expenditures	2,650	109	2,759	2,759	
BOE Membership Dues and Fees	8,025	(830)	7,195	6,978	217
Total Support Services General Administration	409,703	28,296	437,999	376,898	61,101
Support Services School Administration					
Salaries of Principals/Asst. Principals/Prog. Dir.	318,940	(32,100)	286,840	286,840	
Salaries of Secretarial and Clerical Assistants	137,940	45,677	183,617	180,858	2,759
Purchased Professional and Technical Services	10,100	(1,530)	8,570	8,570	
Other Purchased Services	3,450	(3,000)	450	312	138
Supplies and Materials	10,824	789	11,613	10,934	1,579
Other Objects	4,715	(395)	4,320	4,320	-
Total Support Services School Administration	485,969	9,441	495,410	490,934	4,476
Central Services					
Salaries	264,010	14,059	278,069	278,069	
Purchased Prof. Services	300	300	600	180	420
Purchased Technical Services	22,471	(189)	22,282	21,627	655
Miscellaneous Purchased Services	4,550	(157)	4,393	3,074	1,319
Supplies and Material	3,535	(1,100)	2,435	1,706	729
Miscellaneous Expenditures	1,500	-	1,500	1,375	125
Total Central Services	296,366	12,913	309,279	306,031	3,248
Administration Information Technology					
Salaries	3,400	6,767	10,167	10,161	6
Purchased Technical Services	82,900	7,703	90,603	87,003	3,600
Total Administration Information Technology	86,300	14,470	100,770	97,164	3,606

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

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT (Continued)					
Required Maintenance for School Facilities					
Salaries	\$ 65,240	\$ (2,834)	\$ 62,406	\$ 59,251	\$ 3,155
Cleaning, Repair and Maintenance Services	193,250	5,071	198,321	146,638	51,683
Lead Testing of Drinking Water		3,600	3,600		3,600
General Supplies	21,220	(1,360)	19,860	3,829	16,031
Total Required Maintenance for School Facilities	279,710	4,477	284,187	209,718	74,469
Custodial Services					
Salaries	346,690	34,336	381,026	381,026	
Salaries of Non-Instructional Aides	27,695	1,744	29,439	29,439	
Cleaning, Repair and Maintenance Services	23,672	2,329	26,001	21,151	4,850
Other Purchased Property Services	14,700	(879)	13,821	13,821	
Insurance	110,002	(792)	109,210	109,210	
General Supplies	64,055	(3,437)	60,618	50,435	10,183
Energy (Natural Gas)	95,820	(6,342)	89,478	69,214	20,264
Energy (Electricity)	174,000	(111)	173,889	147,670	26,219
Other Objects	1,100	(612)	488	488	-
Total Custodial Services	857,734	26,236	883,970	822,454	61,516
Care and Upkeep of Grounds					
Salaries	5,000	(1,277)	3,723	2,552	1,171
Cleaning, Repair and Maintenance Services	1,300	(300)	1,000	845	155
General Supplies	400	(301)	99	-	99
Total Care and Upkeep of Grounds	6,700	(1,878)	4,822	3,397	1,425
Security					
Purchased Professional and Technical Services	1,500	198	1,698	1,698	-
Total Security	1,500	198	1,698	1,698	-
Student Transportation Services					
Salaries of Non-Instructional Aides	48,870	(495)	48,375	48,375	
Salaries for Pupil Trans(Bet Home & Sch)-Reg	55,280	3,212	58,492	58,492	
Salaries for Pupil Trans(Bet Home & Sch)-Sp Ed	39,570	11,449	51,019	51,019	
Salaries for Pupil Trans(Other than Bet Home & Sch)	3,000	(425)	2,575	2,575	
Other Purchased Professional and Technical Services	1,260	(330)	930	930	
Cleaning, Repair & Maintenance Service	31,990	(1,617)	30,373	14,144	16,229
Contr Serv (Bet Home & School)-Vendors	17,700	1,199	18,899	11,106	7,793
Contr Serv (Special Ed Students)-Joint Agreements	257,000	(16,768)	240,232	222,942	17,290
General Supplies	568		568	568	
Transportation Supplies	14,400	(1,301)	13,099	12,053	1,046
Other Objects	600	(137)	463	463	-
Total Student Transportation Services	469,670	(4,645)	465,025	422,667	42,358
Unallocated Benefits- Employee Benefits					
Group Insurance		2,765	2,765	1,946	819
Social Security Contributions	182,000	34,318	216,318	215,019	1,299
Other Retirement Contributions - PERS	181,400	(14,309)	167,091	167,091	
Other Retirement Contributions - Regular	7,750	2,634	10,384	10,280	104
Unemployment Compensation	20,000	12,600	32,600	32,154	446
Worker's Compensation	65,215	(9,912)	55,303	51,812	3,491
Health Benefits	2,190,770	(178,565)	2,012,205	1,971,440	40,765
Tuition Reimbursement	12,000	10,000	22,000	18,016	3,984
Other Employee Benefits	11,007	8,455	19,462	10,062	9,400
Total Unallocated Benefits	2,670,142	(132,014)	2,538,128	2,477,820	60,308

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

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
On - Behalf Payments					
TPAF Pension Contribution (Non-Budget) Normal Cost/Accrued Liability				\$ 1,030,529	\$ (1,030,529)
TPAF Pension Contribution (Non-Budget) NCGI Premium				25,008	(25,008)
TPAF Contribution (Non-Budget) LTDI Premium				1,266	(1,266)
TPAF Contribution (Non-Budget) Post - Retirement Medical Benefits				681,749	(681,749)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	521,203	(521,203)
Total On-Behalf	-	-	-	2,259,755	(2,259,755)
Total Undistributed Expenditures	\$ 8,869,298	\$ (4,566)	\$ 8,864,732	10,565,093	(1,700,361)
Total Current Expenditures	16,167,623	47,801	16,215,424	17,814,388	(1,598,964)
CAPITAL OUTLAY					
Equipment					
Grade 1-5	4,200	-	4,200	4,200	
Grade 6-8	5,120	-	5,120	4,573	547
Total Equipment	9,320	-	9,320	8,773	547
Facilities Acq. And Construction Services					
Salaries		1,662	1,662	1,662	
Legal Services	5,000	12,163	17,163	17,163	
Architectural/Engineering Services	15,000	45,088	60,088	60,088	
Other Purchased Professional and Technical Services		5,524	5,524	5,524	
Construction Services	620,000	(2,778)	617,222	74,000	543,222
Other Objects		37,343	37,343	36,952	391
Assessment for Debt Service on SDA Funding	32,079	-	32,079	32,079	-
Total Facilities Acq. And Construction Services.	672,079	99,002	771,081	227,468	543,613
Interest Deposit to Capital Reserve	300	-	300	-	300
Total Capital Outlay	681,699	99,002	780,701	236,241	544,460
Transfer of Funds to Charter Schools	36,910	1,888	38,798	38,798	-
Total General Fund	16,886,232	148,691	17,034,923	18,089,427	(1,054,504)
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	(880,000)	(133,664)	(1,013,664)	222,819	1,236,483
Other Financing Sources(Uses)					
Insurance Recoveries	-	-	-	94,292	94,292
Total Other Financing Sources(Uses)	-	-	-	94,292	94,292
Net Change in Fund Balance	(880,000)	(133,664)	(1,013,664)	317,111	1,330,775

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

EXHIBIT C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final To Actual
Fund Balance, Beginning of Year	\$ 1,420,800	-	\$ 1,420,800	\$ 1,420,800	-
Fund Balance, End of Year	\$ 540,800	\$ (133,664)	\$ 407,136	\$ 1,737,911	\$ 1,330,775
Restricted Fund Balances					
Capital Reserve				\$ 565,257	
Capital Reserve - Designated for Subsequent Year's Expenditures				105,000	
Maintenance Reserve				132,419	
Maintenance Reserve - Designated for Subsequent Year's Expenditures				100,000	
Committed					
Insurance Proceeds				94,292	
Assigned Fund Balance					
Year End Encumbrances				32,161	
Designated for Subsequent Year's Expenditures				362,386	
Unassigned Fund Balance				346,396	
				1,737,911	
Reconciliation to Governmental Fund Statements (GAAP)					
Less: State Aid Revenue Not Recognized on a GAAP Basis				(224,505)	
Fund Balance per Governmental Funds (GAAP)				\$ 1,513,406	

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

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources		\$ 48,689	\$ 48,689	\$ 40,672	\$ (8,017)
State Sources		1,590	1,590	1,590	-
Federal Sources	\$ 337,800	110,946	448,746	424,237	(24,509)
Total Revenues	<u>337,800</u>	<u>161,225</u>	<u>499,025</u>	<u>466,499</u>	<u>(32,526)</u>
EXPENDITURES					
Instruction					
Salaries	129,840	11,994	141,834	125,609	16,225
Tuition	168,040	38,348	206,388	206,388	-
Other Purchased Services		36,369	36,369	33,615	2,754
General Supplies		21,670	21,670	18,123	3,547
Other Objects	-	-	-	-	-
Total Instruction	<u>297,880</u>	<u>108,381</u>	<u>406,261</u>	<u>383,735</u>	<u>22,526</u>
Support Services					
Personal Services - Employee Benefits		23,349	23,349	23,349	-
Purchased Prof. Ed. Services	20,310	33,401	53,711	48,974	4,737
Other Purchased Services	19,610	(13,369)	6,241	6,241	-
General Supplies	-	9,463	9,463	4,200	5,263
Total Support Services	<u>39,920</u>	<u>52,844</u>	<u>92,764</u>	<u>82,764</u>	<u>10,000</u>
Total Expenditures	<u>337,800</u>	<u>161,225</u>	<u>499,025</u>	<u>466,499</u>	<u>32,526</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**EAST RUTHERFORD 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.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 18,312,246	\$ 466,499
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		
June 30, 2018 Encumbrances		
June 30, 2017 Encumbrances, Net		
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements.(2016-2017)	263,018	
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements.(2017-2018)	(224,505)	-
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 18,350,759</u>	<u>\$ 466,499</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) total expenditures from the budgetary comparison schedule (Exhibits C-1 and C-2)	\$ 18,089,427	\$ 466,499
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial accounting purposes.		
June 30, 2018 Encumbrances		-
June 30, 2017 Encumbrances	-	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 18,089,427</u>	<u>\$ 466,499</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

PENSION INFORMATION

AND

OTHER POST-EMPLOYMENT BENEFITS INFORMATION

**EAST RUTHERFORD 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*

	2018	2017	2016	2015	2014
District's Proportion of the Net Position Liability (Asset)	0.01761%	0.01979%	0.01955%	0.01914%	0.01881%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 4,098,175	\$ 5,861,246	\$ 4,389,482	\$ 3,583,999	\$ 3,595,890
District's Covered-Employee Payroll	\$ 1,256,236	\$ 1,205,427	\$ 1,361,984	\$ 1,344,847	\$ 1,285,655
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	326%	486%	322%	266%	280%
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.

**EAST RUTHERFORD BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 163,092	\$ 175,812	\$ 168,185	\$ 159,102	\$ 141,766
Contributions in Relation to the Contractually Required Contribution	<u>163,092</u>	<u>175,812</u>	<u>168,185</u>	<u>159,102</u>	<u>141,766</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,256,236	\$ 1,205,427	\$ 1,361,984	\$ 1,344,847	\$ 1,285,655
Contributions as a Percentage of Covered-Employee Payroll	13%	15%	12%	12%	11%

∞
∞

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.

**EAST RUTHERFORD 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>45,023,783</u>	<u>52,120,602</u>	<u>42,664,437</u>	<u>35,785,741</u>	<u>34,032,535</u>
Total	<u>\$45,023,783</u>	<u>\$52,120,602</u>	<u>\$42,664,437</u>	<u>\$35,785,741</u>	<u>\$ 34,032,535</u>
District's Covered-Employee Payroll	7,480,593	6,811,104	6,766,187	6,599,168	6,666,323
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.

**EAST RUTHERFORD 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 4.

**EAST RUTHERFORD 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	\$ 1,275,197
Interest on the Total OPEB Liability	922,504
Changes of Assumptions	(3,845,501)
Gross Benefit Payments	(661,908)
Contribution from the Member	24,373
Net Change in Total OPEB Liability	(2,285,335)
Total OPEB Liability - Beginning	31,392,678
Total OPEB Liability - Ending	\$ 29,107,343
District's Proportionate Share	\$ -
State's Proportionate Share	29,107,343
Total OPEB Liability - Ending	\$ 29,107,343
Covered-Employee Payroll	\$ 8,736,829
Total OPEB Liability as a Percentage of Covered-Employee Payroll:	333.16%

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.

**EAST RUTHERFORD 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 4E.

SCHOOL LEVEL SCHEDULES

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

NOT APPLICABLE

SPECIAL REVENUE FUND

EAST RUTHERFORD BOARD OF EDUCATION
 SPECIAL REVENUE FUND
 COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
 BUDGETARY BASIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	ESEA Title I	ESEA Title II A	ESEA Title III	ESEA Title III Immigrant	ESEA Title IV	I.D.E.A. Part B	I.D.E.A. Part B Preschool	Chapter 192/193 Exam and Supplementary Classification Instruction		Local Grants	Grand Total
REVENUES											
Intergovernmental											
State								\$ 1,273	\$ 317		\$ 1,590
Federal	\$ 151,366	\$ 38,349	\$ 14,088	\$ 8,697	\$ 5,349	\$ 199,753	\$ 6,635				424,237
Local	-	-	-	-	-	-	-	-	-	\$ 40,672	40,672
Total Revenues	\$ 151,366	\$ 38,349	\$ 14,088	\$ 8,697	\$ 5,349	\$ 199,753	\$ 6,635	\$ 1,273	\$ 317	\$ 40,672	\$ 466,499
EXPENDITURES											
Instruction											
Salaries	\$ 114,609		\$ 11,000								\$ 125,609
Other Purchased Services										\$ 33,615	33,615
Tuition						\$ 199,753	\$ 6,635				206,388
General Supplies	15,859	-	8	\$ 1,756	-	-	-	-	-	500	18,123
Total Instruction	130,468	-	11,008	1,756	-	199,753	6,635	-	-	34,115	383,735
Support Services											
Personal Services-Employee Benefits	20,269		3,080								23,349
Purchased Prof. Ed. Services	629	\$ 29,849		5,000	\$ 5,349			\$ 1,273	\$ 317	6,557	48,974
Other Purchased Services		4,300		1,941							6,241
General Supplies	-	4,200	-	-	-	-	-	-	-	-	4,200
Total Support Services	20,898	38,349	3,080	6,941	5,349	-	-	1,273	317	6,557	82,764
Facilities Acquisition and Construction											
Instructional Equipment	-	-	-	-	-	-	-	-	-	-	-
Total Facilities Acq. & Construction	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 151,366	\$ 38,349	\$ 14,088	\$ 8,697	\$ 5,349	\$ 199,753	\$ 6,635	\$ 1,273	\$ 317	\$ 40,672	\$ 466,499

**EAST RUTHERFORD 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

EXHIBITS F-1 AND F-2

NOT APPLICABLE

PROPRIETARY FUNDS

EXHIBIT G-1

**EAST RUTHERFORD BOARD OF EDUCATION
PROPRIETARY FUNDS
COMBINING SCHEDULE OF NET POSITION
AS OF JUNE 30, 2018**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

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

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

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

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

INTERNAL SERVICE FUND

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

NOT APPLICABLE

FIDUCIARY FUNDS

AGENCY FUNDS

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

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 9,101	\$ 7,403	\$ 16,504
Total Assets	<u>\$ 9,101</u>	<u>\$ 7,403</u>	<u>\$ 16,504</u>
LIABILITIES			
Accrued Salaries and Wages		\$ 1,203	\$ 1,203
Payroll Deductions and Withholdings		3,974	3,974
Due to Other Funds		2,226	2,226
Due to Student Groups	\$ 9,101	-	9,101
Total Liabilities	<u>\$ 9,101</u>	<u>\$ 7,403</u>	<u>\$ 16,504</u>

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

NOT APPLICABLE

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

<u>Student Activity</u>	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2018</u>
Special Activity	\$ 7,487	\$ 23,779	\$ 22,165	\$ 9,101
	<u>\$ 7,487</u>	<u>\$ 23,779</u>	<u>\$ 22,165</u>	<u>\$ 9,101</u>

**PAYROLL AGENCY FUND
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance, June 30, 2018</u>
<u>ASSETS</u>				
Cash	\$ 13,663	\$ 10,776,768	\$ 10,783,028	\$ 7,403
Total Assets	<u>\$ 13,663</u>	<u>\$ 10,776,768</u>	<u>\$ 10,783,028</u>	<u>\$ 7,403</u>
<u>LIABILITIES</u>				
Accrued Salaries and Wages		\$ 5,842,850	\$ 5,841,647	\$ 1,203
Payroll Deductions and Withholdings	\$ 13,663	4,923,918	4,933,607	3,974
Due to Other Funds	<u>-</u>	<u>10,000</u>	<u>7,774</u>	<u>2,226</u>
Total	<u>\$ 13,663</u>	<u>\$ 10,776,768</u>	<u>\$ 10,783,028</u>	<u>\$ 7,403</u>

LONG-TERM DEBT

**EAST RUTHERFORD BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
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>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>					
School Refunding Bonds	3/17/2010	\$ 4,575,000	7/15/2018	\$ 95,000	2.750%	\$ 2,330,000			
			7/15/2018	380,000	4.250%				
			7/15/2019	70,000	3.000%				
			7/15/2019	395,000	3.500%				
			7/15/2020	460,000	4.375%				
			7/15/2021	240,000	3.250%				
			7/15/2021	215,000	5.000%				
School Bonds, Series 2012	8/2/2012	2,491,000	7/15/2018	145,000	2.000%	2,031,000			
			7/15/2019	160,000	2.000%				
			7/15/2020	175,000	2.000%				
			7/15/2021	190,000	2.000%				
			7/15/2022	200,000	2.250%				
			7/15/2023	200,000	2.250%				
			7/15/2024	205,000	2.500%				
			7/15/2025	210,000	2.500%				
			7/15/2026	210,000	2.750%				
			7/15/2027	206,000	2.750%				
						<u>2,031,000</u>	<u>-</u>	<u>130,000</u>	<u>1,901,000</u>
						<u>\$ 4,361,000</u>	<u>\$ -</u>	<u>\$ 605,000</u>	<u>\$ 3,756,000</u>
								<u>\$ 605,000</u>	
Paid by Budget Appropriation								<u>\$ 605,000</u>	

**EAST RUTHERFORD BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER LEASE-PURCHASE AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Issue</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
Computer Equipment (Supplies)	\$ 290,758	3.97%	\$ 118,433	\$ -	\$ 58,063	\$ 60,370
			<u>\$ 118,433</u>	<u>\$ -</u>	<u>\$ 58,063</u>	<u>\$ 60,370</u>

**EAST RUTHERFORD BOARD OF EDUCATION
LONG-TERM DEBT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final To Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 733,672		\$ 733,672	\$ 733,672	
Total Revenues	<u>733,672</u>		<u>733,672</u>	<u>733,672</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	128,672		128,672	128,471	\$ 201
Redemption of Principal	605,000		605,000	605,000	
101 Total Regular Debt Service	<u>733,672</u>		<u>733,672</u>	<u>733,471</u>	<u>201</u>
Total Expenditures	<u>733,672</u>		<u>733,672</u>	<u>733,471</u>	<u>201</u>
Excess of Revenues Over Expenditures	-		-	201	201
Fund Balance, Beginning of Year		-	-		-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201</u>	<u>\$ 201</u>
<u>Recapitulation of Fund Balance</u>					
Restricted for Debt Service:					
Available for Expenditures				\$ 1	
Designated for Subsequent Year's Expenditures				<u>200</u>	
Total Fund Balance - Restricted for Debt Service				<u>\$ 201</u>	

STATISTICAL SECTION

This part of the East Rutherford 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.

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014 (Restated)	2013	2012 (Restated)	2011	2010	2009
Governmental Activities										
Net Investment in Capital Assets	\$ 4,130,155	\$ 4,088,243	\$ 4,016,618	\$ 3,642,511	\$ 3,084,184	\$ 2,654,693	\$ 2,116,326	\$ 1,876,368	\$ 5,178,123	\$ 5,086,178
Restricted	902,877	900,906	1,011,078	1,011,078	1,079,538	1,004,789	973,579	653,849	303,852	454,293
Unrestricted	<u>(3,839,305)</u>	<u>(4,174,823)</u>	<u>(3,837,299)</u>	<u>(3,683,762)</u>	<u>(3,121,463)</u>	<u>320,738</u>	<u>211,239</u>	<u>194,250</u>	<u>(329,586)</u>	<u>(349,447)</u>
Total Governmental Activities Net Position	<u>\$ 1,193,727</u>	<u>\$ 814,326</u>	<u>\$ 1,190,397</u>	<u>\$ 969,827</u>	<u>\$ 1,042,259</u>	<u>\$ 3,980,220</u>	<u>\$ 3,301,144</u>	<u>\$ 2,724,467</u>	<u>\$ 5,152,389</u>	<u>\$ 5,191,024</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 15,961	\$ 13,293	\$ 10,697	\$ 13,663	\$ 16,630	\$ 15,840	\$ 19,733	\$ 22,799	\$ 19,255	\$ 22,321
Restricted										
Unrestricted	<u>102,244</u>	<u>126,469</u>	<u>144,481</u>	<u>118,009</u>	<u>110,616</u>	<u>91,137</u>	<u>72,564</u>	<u>49,044</u>	<u>30,382</u>	<u>26,593</u>
Total Business-Type Activities Net Position	<u>\$ 118,205</u>	<u>\$ 139,762</u>	<u>\$ 155,178</u>	<u>\$ 131,672</u>	<u>\$ 127,246</u>	<u>\$ 106,977</u>	<u>\$ 92,297</u>	<u>\$ 71,843</u>	<u>\$ 49,637</u>	<u>\$ 48,914</u>
District-Wide										
Net Investment in Capital Assets	\$ 4,146,116	\$ 4,101,536	\$ 4,027,315	\$ 3,656,174	\$ 3,100,814	\$ 2,670,533	\$ 2,136,059	\$ 1,899,167	\$ 5,197,378	\$ 5,108,499
Restricted	902,877	900,906	1,011,078	1,011,078	1,079,538	1,004,789	973,579	653,849	303,852	454,293
Unrestricted	<u>(3,737,061)</u>	<u>(4,048,354)</u>	<u>(3,692,818)</u>	<u>(3,565,753)</u>	<u>(3,010,847)</u>	<u>411,875</u>	<u>283,803</u>	<u>243,294</u>	<u>(299,204)</u>	<u>(322,854)</u>
Total District Net Position	<u>\$ 1,311,932</u>	<u>\$ 954,088</u>	<u>\$ 1,345,575</u>	<u>\$ 1,101,499</u>	<u>\$ 1,169,505</u>	<u>\$ 4,087,197</u>	<u>\$ 3,393,441</u>	<u>\$ 2,796,310</u>	<u>\$ 5,202,026</u>	<u>\$ 5,239,938</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 Pension at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions.

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 11,106,537	\$ 10,254,758	\$ 8,990,945	\$ 8,641,143	\$ 6,935,179	\$ 7,163,564	\$ 6,321,110	\$ 6,002,039	\$ 6,589,931	\$ 6,908,410
Special Education	3,770,674	3,571,227	2,964,763	2,491,806	2,214,521	1,861,232	2,109,906	1,738,445	1,910,352	1,633,545
Other Special Education										
Other Instruction	695,277	707,483	840,300	874,386	921,231	912,039	931,692	853,068	977,927	813,718
School Sponsored Activities and Athletics	66,901	68,727	94,929	103,915	70,145	68,425	59,998	44,083	108,263	70,020
Support Services:										
Tuition										
Student & Instruction Related Services	2,695,911	2,845,665	2,571,607	2,447,507	2,088,691	2,093,454	1,844,184	1,907,795	1,894,003	1,821,770
General Administration Services	579,582	600,194	631,864	634,754	410,895	389,998	549,815	525,167	608,174	463,065
School Administrative Services	859,478	887,991	728,173	699,086	704,940	735,117	685,164	568,675	615,294	561,172
Central and Other Support Services	624,382	601,493	492,472	514,716	430,612	326,510	324,532	309,420	385,550	438,928
Plant Operations And Maintenance	1,347,905	1,467,855	1,377,893	1,545,552	1,437,216	1,458,189	1,782,877	1,422,228	1,322,380	1,349,697
Pupil Transportation	569,592	491,074	452,825	425,730	448,602	344,157	338,531	323,705	337,319	300,543
Capital Outlay										
Interest On Long-Term Debt	125,925	150,211	171,474	174,626	188,956	203,757	161,666	182,407	199,632	274,060
Unallocated Depreciation	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	22,442,164	21,646,678	19,317,245	18,553,221	15,850,988	15,556,442	15,109,475	13,877,032	14,948,825	14,634,928
Business-Type Activities:										
Food Service	375,553	356,201	340,009	314,627	300,216	303,506	295,421	260,377	257,099	221,828
Total Business-Type Activities Expense	375,553	356,201	340,009	314,627	300,216	303,506	295,421	260,377	257,099	221,828
Total District Expenses	\$ 22,817,717	\$ 22,002,879	\$ 19,657,254	\$ 18,867,848	\$ 16,151,204	\$ 15,859,948	\$ 15,404,896	\$ 14,137,409	\$ 15,205,924	\$ 14,856,756
Program Revenues										
Governmental Activities:										
Charges for Services	\$ 86,489	\$ 84,200	\$ 53,878	\$ 113,563	\$ 95,909	\$ 93,889	\$ 116,888	\$ 109,410		
Operating Grants And Contributions	6,761,551	6,255,122	4,937,922	4,168,902	2,511,680	2,660,482	2,243,280	1,837,864	\$ 2,188,602	\$ 2,208,019
Capital Grants And Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	6,848,040	6,339,322	4,991,800	4,282,465	2,607,589	2,754,371	2,360,168	1,947,274	2,188,602	2,208,019
Business-Type Activities:										
Charges For Services	149,445	134,751	147,164	138,430	148,695	148,764	149,305	135,425	119,469	125,813
Operating Grants And Contributions	204,551	206,034	216,351	180,557	171,298	169,044	166,314	140,176	138,097	92,211
Capital Grants and Contributions	-	-	-	-	-	-	-	-	-	-
Total Business Type Activities Program Revenues	353,996	340,785	363,515	318,987	319,993	317,808	315,619	275,601	257,566	218,024
Total District Program Revenues	\$ 7,202,036	\$ 6,680,107	\$ 5,355,315	\$ 4,601,452	\$ 2,927,582	\$ 3,072,179	\$ 2,675,787	\$ 2,222,875	\$ 2,446,168	\$ 2,426,043

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net (Expense)/Revenue										
Governmental Activities	\$ (15,594,124)	\$ (15,307,356)	\$ (14,325,445)	\$ (14,270,756)	\$ (13,243,399)	\$ (12,802,071)	\$ (12,749,307)	\$ (11,929,758)	\$ (12,760,223)	\$ (12,426,909)
Business-Type Activities	(21,557)	(15,416)	23,506	4,360	19,777	14,302	20,198	15,224	467	(3,804)
Total District-Wide Net Expense	\$ (15,615,681)	\$ (15,322,772)	\$ (14,301,939)	\$ (14,266,396)	\$ (13,223,622)	\$ (12,787,769)	\$ (12,729,109)	\$ (11,914,534)	\$ (12,759,756)	\$ (12,430,713)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For:										
General Purposes	\$ 15,042,487	\$ 14,087,500	\$ 13,677,157	\$ 13,408,977	\$ 13,146,056	\$ 12,888,592	\$ 12,645,826	\$ 12,397,885	\$ 11,627,888	\$ 11,180,662
Debt Service	733,672	723,714	723,665	721,866	741,700	551,250	631,825	626,694	653,726	658,245
Unrestricted Federal and State Aid	24,507	24,235	15,292	14,156	-	-	31,319	29,805	360,923	243,132
Investment Earnings	-	-	-	-	-	8,032	3,708	9,638	273	18,923
Insurance Recoveries	94,292	-	-	-	-	-	-	-	-	-
Miscellaneous Income	78,567	95,836	129,901	53,325	13,572	33,273	13,306	10,750	78,778	81,045
Transfer	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	15,973,525	14,931,285	14,546,015	14,198,324	13,901,328	13,481,147	13,325,984	13,074,772	12,721,588	12,182,007
Business-Type Activities:										
Investment Earnings	-	-	-	66	492	378	256	372	256	328
Miscellaneous Income	-	-	-	-	-	-	-	-	-	-
Transfer	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	-	-	-	66	492	378	256	372	256	328
Total District-Wide	\$ 15,973,525	\$ 14,931,285	\$ 14,546,015	\$ 14,198,390	\$ 13,901,820	\$ 13,481,525	\$ 13,326,240	\$ 13,075,144	\$ 12,721,844	\$ 12,182,335
Change in Net Position										
Governmental Activities	\$ 379,401	\$ (376,071)	\$ 220,570	\$ (72,432)	\$ 657,929	\$ 679,076	\$ 576,677	\$ 1,145,014	\$ (38,635)	\$ (244,902)
Business-Type Activities	(21,557)	(15,416)	23,506	4,426	20,269	14,680	20,454	15,596	723	(3,476)
Total District	\$ 357,844	\$ (391,487)	\$ 244,076	\$ (68,006)	\$ 678,198	\$ 693,756	\$ 597,131	\$ 1,160,610	\$ (37,912)	\$ (248,378)

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Fund										
Restricted	\$ 902,676	\$ 900,906	\$ 1,011,077	\$ 711,302	\$ 854,487	\$ 1,227,945	\$ 973,576	\$ 753,846	\$ 339,705	\$ 491,149
Unreserved									(209,768)	(260,530)
Committed	94,292									
Assigned	394,547	208,664	207,572	274,501	327,890	228,789	352,468	279,493		
Unassigned	121,891	48,212	14,952	37,006	62,820	50,340	(3,072)	(32,706)	-	-
Total General Fund	\$ 1,513,406	\$ 1,157,782	\$ 1,233,601	\$ 1,022,809	\$ 1,245,197	\$ 1,507,074	\$ 1,322,972	\$ 1,000,633	\$ 129,937	\$ 230,619
All Other Governmental Funds										
Restricted										
Capital Projects Fund				\$ 299,775	\$ 448,210	\$ 427,759				\$ 67,268
Debt Service Fund	\$ 201	\$ -	\$ 1	1	-	3	3	3	6	1,920
Total All Other Governmental Funds	\$ 201	\$ -	\$ 1	\$ 299,776	\$ 448,210	\$ 427,762	\$ 3	\$ 3	\$ 6	\$ 69,188

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Local Sources:										
Tax Levy	\$ 15,776,159	\$ 14,811,214	\$ 14,400,822	\$ 14,130,843	\$ 13,887,756	\$ 13,439,842	\$ 13,277,651	\$ 13,024,579	\$ 12,281,614	\$ 11,838,907
Tuition	67,329	59,000	53,878	113,563	95,909	93,889	116,888	109,410		
Interest Earnings	-				-	8,032	3,708	9,638	273	18,923
Rents	19,160	25,200								
Miscellaneous	119,239	99,336	129,901	53,325	13,572	33,350	12,729	10,750	78,778	81,545
State Sources	3,117,643	2,691,011	2,473,063	2,220,829	2,079,089	2,295,002	1,828,969	1,418,741	2,048,106	2,082,879
Federal Sources	451,400	419,823	405,569	401,563	432,591	365,403	445,207	448,928	501,419	367,772
Total Revenue	19,550,930	18,105,584	17,463,233	16,920,123	16,508,917	16,235,518	15,685,152	15,022,046	14,910,190	14,390,026
Expenditures										
Instruction										
Regular Instruction	8,464,417	7,762,376	7,506,760	7,511,623	6,763,419	6,999,343	6,311,013	5,999,865	6,374,453	6,701,990
Special Education Instruction	3,411,327	3,149,884	2,724,921	2,329,115	2,215,264	1,861,789	2,110,334	1,739,934	1,883,372	1,608,318
Other Special Education										
Other Instruction	556,128	553,449	715,735	767,899	921,798	912,477	932,062	854,630	951,290	788,660
School Sponsored Activities and Athletics	55,230	55,683	71,863	87,696	70,230	68,492	60,044	44,192	105,559	67,824
Support Services:										
Tuition										
Student and Inst. Related Services	2,271,313	2,313,651	2,237,165	2,203,305	2,063,639	2,067,987	1,844,789	1,910,730	1,842,969	1,773,666
General Administrative Services	514,050	522,621	577,055	594,622	403,371	383,749	537,002	514,046	600,367	455,844
School Administrative Services	720,190	718,849	636,800	638,369	705,400	735,494	675,937	560,218	596,851	543,868
Central and Other Support Services	543,462	506,895	443,185	482,781	430,823	326,664	324,656	309,937	371,255	425,305
Plant Operations And Maintenance	1,255,921	1,337,820	1,314,533	1,521,854	1,427,160	1,422,775	1,610,850	1,251,110	1,297,815	1,326,854
Pupil Transportation	496,958	442,395	407,597	403,241	424,990	342,245	306,562	292,003	311,142	296,556
Capital Outlay	204,162	31,298	130,169	256,565	564,810	2,424,653		16,462	128,316	339,981
Debt Service:										
Interest and Other Charges	663,063	630,845	613,712	176,865	217,546	147,890	165,227	160,055	627,642	280,644
Principal	133,176	155,638	172,721	607,768	541,896	421,099	484,337	498,171	434,746	401,237
Total Expenditures	19,289,397	18,181,404	17,552,216	17,581,703	16,750,346	18,114,657	15,362,813	14,151,353	15,525,777	15,010,747
Excess (Deficiency) of Revenues Over (Under) Expenditures	261,533	(75,820)	(88,983)	(661,580)	(241,429)	(1,879,139)	322,339	870,693	(615,587)	(620,721)

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

	Fiscal Year Ended June 30,									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Other Financing Sources (Uses)										
Bond Proceeds						\$ 2,491,000			\$ 4,575,000	
Bond Premium									246,369	
Capital Lease Proceeds				\$ 290,758					80,354	
Payment to Refunded Bond Escrow Agent									(4,456,000)	
Insurance Recoveries	\$ 94,292									
Transfers In			\$ 299,775		\$ 530,000	273,422	\$ 112	\$ 271	80,928	\$ 325,836
Transfers Out	-	-	(299,775)	-	(530,000)	(273,422)	(112)	(271)	(80,928)	(325,836)
Total Other Financing Sources (Uses)	<u>94,292</u>	<u>-</u>	<u>-</u>	<u>290,758</u>	<u>-</u>	<u>2,491,000</u>	<u>-</u>	<u>-</u>	<u>445,723</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 355,825</u>	<u>\$ (75,820)</u>	<u>\$ (88,983)</u>	<u>\$ (370,822)</u>	<u>\$ (241,429)</u>	<u>\$ 611,861</u>	<u>\$ 322,339</u>	<u>\$ 870,693</u>	<u>\$ (169,864)</u>	<u>\$ (620,721)</u>
Debt Service as a Percentage of										
Noncapital Expenditures	4.17%	4.33%	4.51%	4.53%	4.69%	3.63%	4.23%	4.66%	6.90%	4.65%

* Noncapital expenditures are total expenditures less capital outlay.

EAST RUTHERFORD BOARD OF EDUCATION
 GENERAL FUND
 OTHER LOCAL REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
 (Unaudited)

<u>Fiscal Year Ended June 30</u>	<u>Prior Year Voided Checks</u>	<u>Prior Year Refunds</u>	<u>Cancelled Payables</u>	<u>Tuition</u>	<u>Facility Rentals</u>	<u>Indirect Cost Reimbursement</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>
2018		\$ 11,508		\$ 67,329	\$ 19,160	\$ 25,769	\$ 6,926	\$ 34,364	\$ 165,056
2017	\$ 787	60,837		59,000	25,200		4,547	29,665	180,036
2016	16,639	9,559	\$ 56,694	53,878			3,241	43,768	183,779
2015	22,536			113,563			3,474	27,315	166,888
2014				95,909			4,678	8,894	109,481
2013				93,889				36,673	130,562
2012								12,306	12,306
2011			8,310					2,440	10,750
2010		\$ 4,966						60,262	65,228
2009	18,028	17,907						45,110	81,045

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Source: District's financial records

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

Calendar Year	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2009	\$ 21,340,200	\$ 281,850,450			\$ 248,793,300	\$ 287,310,100	\$ 59,773,100	\$ 899,067,150	\$ 1,869,582	\$ 900,936,732	\$ 2,127,370,972	\$ 1.363
2010	(A) 24,087,200	620,913,200			549,450,100	691,428,800	132,949,800	2,018,829,100	4,629,139	2,023,458,239	2,348,978,853	0.644
2011	30,169,900	620,286,300			535,068,700	688,918,800	130,562,300	2,005,006,000	4,220,950	2,009,226,950	2,409,474,206	0.661
2012	29,994,900	620,953,700			528,271,700	681,675,500	128,040,300	1,988,936,100	4,142,893	1,993,078,993	2,414,475,439	0.675
2013	28,711,500	620,449,400			527,779,400	664,250,800	128,040,300	1,969,231,400	4,040,959	1,973,272,359	2,387,996,042	0.704
2014	29,874,100	619,122,800			420,711,800	653,342,200	128,040,300	1,851,091,200	3,752,509	1,854,843,709	1,897,754,949	0.762
2015	33,244,900	620,552,400			418,328,100	647,161,000	126,574,700	1,845,861,100	3,687,646	1,849,548,746	2,174,418,518	0.779
2016	32,423,900	619,817,100			476,992,500	633,405,000	126,427,400	1,889,065,900	4,161,949	1,893,227,849	2,449,372,901	0.783
2017	33,919,400	620,007,200			390,632,800	632,456,800	190,853,400	1,867,869,600	4,069,535	1,871,939,135	2,502,356,056	0.843
2018	38,695,300	701,720,900			495,793,000	599,137,100	255,007,700	2,090,354,000	4,657,962	2,095,011,962	2,037,938,982	0.789

Source: County Abstract of Ratables

^a Tax rates are per \$100

(A) - Borough underwent a revaluation of real property effective January 1, 2010

**EAST RUTHERFORD BOARD OF EDUCATION
PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
LAST TEN YEARS
(Unaudited)**

<u>Calendar Year</u>	<u>Total</u>	<u>Total Direct Rate Local School District</u>	<u>Overlapping Rates</u>		
			<u>Regional School</u>	<u>Municipality</u>	<u>County</u>
2018	\$ 1.778	\$ 0.789	\$ 0.268	\$ 0.530	\$ 0.191
2017	2.074	0.843	0.294	0.608	0.329
2016	1.945	0.783	0.283	0.566	0.313
2015	1.967	0.779	0.323	0.584	0.281
2014	1.904	0.762	0.318	0.590	0.234
2013	1.845	0.704	0.297	0.565	0.279
2012	1.735	0.675	0.288	0.535	0.237
2011	1.618	0.661	0.280	0.456	0.221
2010 (A)	1.552	0.644	0.262	0.424	0.222
2009	3.084	1.363	0.587	0.688	0.446

(A) - Borough underwent a revaluation of real property effective January 1, 2010

**EAST RUTHERFORD 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
Federal Reserve Bank	\$ 221,810,800	10.59%	Federal Reserve Bank	\$ 94,250,000	10.46%
One Met Center LLC	114,768,200	5.48%	SPUSV5 One Meadowlands LP	47,500,000	5.27%
Waterside Gardens at Brick LLC	89,558,200	4.27%	Vornado Realty Trust	32,923,000	3.65%
ML Plaza Owner, LLC Hilton	46,110,800	2.20%	BPG Hotel XVII c/o Sheraton	27,500,000	3.05%
201 Railroad Avenue LLC	41,645,400	1.99%	Branca Properties	25,714,000	2.85%
Liberty Terrace at E Rutherford LLC	36,073,200	1.72%	Liberty Commons	14,150,000	1.57%
Honeywell International Inc	32,001,200	1.53%	Avalon NJ Value II LLC	14,000,000	1.55%
Brancasons	27,873,600	1.33%	Liberty Terrace	11,356,000	1.26%
East Rutherford Hotel LLC	22,314,700	1.07%	East Rutherford (Lodging Residence Inn)	10,400,000	1.15%
Liberty Commons LLC	21,500,000	1.03%	BRE/HV Properties (Homestead Village)	8,380,500	0.93%
Total	\$ 653,656,100	31.20%		\$ 286,173,500	31.76%

Source: Municipal Tax Assessor

**EAST RUTHERFORD 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	
2018	\$ 15,776,159	\$ 15,776,159	100%	
2017	14,811,214	14,811,214	100%	
2016	14,400,822	14,400,822	100%	
2015	14,130,843	14,130,843	100%	
2014	13,887,756	13,887,756	100%	
2013	13,439,842	13,439,842	100%	
2012	13,277,651	13,277,651	100%	
2011	13,024,579	13,024,579	100%	
2010	12,281,614	12,281,614	100%	
2009	11,838,907	11,838,907	100%	

Source: District's financial records

EAST RUTHERFORD BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Lease- Purchase/Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2018	\$ 3,756,000		\$ 60,370			\$ 3,816,370	9,928	\$ 384
2017	4,361,000		118,433			4,479,433	9,890	453
2016	4,936,000		174,278			5,110,278	9,161	558
2015	5,496,000		227,990			5,723,990	9,117	628
2014	6,041,000					6,041,000	9,076	666
2013	6,566,000		16,896			6,582,896	9,032	729
2012	4,480,000		32,995			4,512,995	8,993	502
2011	4,950,000		48,332			4,998,332	8,929	560
2010	5,420,000		76,503			5,496,503	8,785	626
2009	5,696,000		35,895			5,731,895	8,708	658

Source: District records

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2018	\$ 3,756,000		\$ 3,756,000	0.18%	\$ 378
2017	4,361,000		4,361,000	0.23%	441
2016	4,936,000		4,936,000	0.26%	539
2015	5,496,000		5,496,000	0.30%	603
2014	6,041,000		6,041,000	0.33%	666
2013	6,566,000		6,566,000	0.33%	727
2012	4,480,000		4,480,000	0.22%	498
2011	4,950,000		4,950,000	0.25%	554
2010	5,420,000		5,420,000	0.27%	617
2009	5,696,000		5,696,000	0.63%	654

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

**EAST RUTHERFORD BOARD OF EDUCATION
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017
(Unaudited)**

	<u>Total Debt</u>
Municipal Debt: (1)	
Borough of East Rutherford	\$ 32,308,861
East Rutherford Board of Education	<u>3,756,000</u>
Total Direct Debt	<u>36,064,861</u>
Overlapping Debt Apportioned to the Municipality:	
Bergen County: (3);(A):	
County of Bergen (A)	18,386,640
Bergen County Utilities Authority - Water Pollution (B)	<u>2,921,364</u>
Total Overlapping Debt	<u>21,308,004</u>
Total Direct and Overlapping Debt	<u>\$ 57,372,865</u>

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

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

Sources:

- (1) Borough of East Rutherford 2017 Annual Debt Statement
- (2) BCUA 2017 Audit
- (3) Bergen County 2017 Annual Debt Statement

EAST RUTHERFORD BOARD OF EDUCATION
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2018

	<u>Equalized valuation basis</u>
	2017 \$ 2,063,032,472
	2016 2,105,512,595
	2015 <u>1,972,706,102</u>
	<u>\$ 6,141,251,169</u>
Average equalized valuation of taxable property	\$ 2,047,083,723
Debt limit (3 % of average equalization value)	61,412,512 a
Total Net Debt Applicable to Limit	<u>3,756,000</u>
Legal debt margin	<u>\$ 57,656,512</u>

	<u>Fiscal Year</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	\$ 69,803,463	\$ 55,806,792	\$ 58,661,530	\$ 58,742,150	\$ 59,221,606	\$ 58,682,966	\$ 60,414,392	\$ 60,524,764	\$ 62,341,600	\$ 61,412,512
Total Net Debt Applicable to Limit	<u>5,696,000</u>	<u>5,420,000</u>	<u>4,950,000</u>	<u>4,480,000</u>	<u>7,096,951</u>	<u>6,041,951</u>	<u>5,496,951</u>	<u>4,936,000</u>	<u>4,361,000</u>	<u>3,756,000</u>
Legal Debt Margin	<u>\$ 64,107,463</u>	<u>\$ 50,386,792</u>	<u>\$ 53,711,530</u>	<u>\$ 54,262,150</u>	<u>\$ 52,124,655</u>	<u>\$ 52,641,015</u>	<u>\$ 54,917,441</u>	<u>\$ 55,588,764</u>	<u>\$ 57,980,600</u>	<u>\$ 57,656,512</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	8.16%	9.71%	8.44%	7.63%	11.98%	10.30%	9.10%	8.16%	7.00%	6.12%

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

a Limit set by NJSIA 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

**EAST RUTHERFORD BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>		<u>County Per Capita Personal Income</u>	<u>Population</u>
2018	3.8%	(E)	\$ 77,187 (E)	9,928
2017	3.8%		77,187 (E)	9,890
2016	4.4%		77,187	9,161
2015	4.9%		76,388	9,117
2014	5.9%		73,293	9,076
2013	5.2%		71,449	9,032
2012	11.0%		71,953	8,993
2011	10.8%		69,044	8,929
2010	11.0%		66,080	8,785
2009	10.7%		65,097	8,708

(E) Estimate

Source: United States Bureau of Census
School District Records

(1) Bergen County Per Capita Income

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

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

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Instruction										
Regular	57.0	58.0	55.0	53.0	53.0	52.0	52.0	52.0	73.0	69.0
Special Education	14.0	15.0	17.0	17.0	17.0	17.0	17.0	17.0	15.0	12.4
Other Special Education	14.0	14.0	12.0	10.0	10.0	11.0	11.0	11.0	6.0	7.0
Other Instruction	5.0	6.0	4.0	3.0	2.0	2.1	2.1	2.1	7.0	5.0
Support Services:										
Student and Instruction Related Services	14.0	15.0	15.0	15.0	15.0	15.1	15.1	15.1	4.0	4.6
General and Business Administration Services	6.0	5.0	5.0	4.0	3.0	3.0	3.0	3.0	4.5	5.5
School Administrative Services	8.0	8.0	8.0	7.0	7.0	6.0	4.8	4.8	10.5	14.5
Plant Operations And Maintenance	9.0	9.0	9.0	9.0	9.0	9.1	9.0	9.0	5.0	11.5
Pupil Transportation	5.0	5.0	5.0	4.0	4.0	4.4	2.0	2.0		
Special Schools									-	2.0
Food Service	-	-	-	-	-	-	-	-	-	-
Total	<u>132.0</u>	<u>135.0</u>	<u>130.0</u>	<u>122.0</u>	<u>120.0</u>	<u>119.7</u>	<u>116.0</u>	<u>116.0</u>	<u>125.0</u>	<u>131.5</u>

Source: District Personnel Records

**EAST RUTHERFORD BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary/Middle School					
2018	818	\$ 18,288,996	\$ 22,358	7.65%	84.00	Not Available		816	778	0.25%	95.34%
2017	808	17,363,623	21,490	3.47%	86.00	Not Available		814	776	3.69%	95.33%
2016	801	16,635,614	20,769	-1.18%	83.00	Not Available		785	751	1.16%	95.67%
2015	787	16,540,505	21,017	1.37%	83.00	Not Available		776	744	0.13%	95.88%
2014	744	15,426,094	20,734	5.31%	82.00	Not Available		775	743	1.31%	95.87%
2013	768	15,121,015	19,689	4.25%	82.10	Not Available		765	731	-1.03%	95.56%
2012	779	14,713,249	18,887	7.35%	82.10	Not Available		773	741	2.25%	95.86%
2011	766	13,476,665	17,594	-13.47%	82.10	Not Available		756	723	7.28%	95.63%
2010	705	14,335,073	20,333	-1.89%	101.00	Not Available		705	674	4.40%	95.67%
2009	675	13,988,885	20,724	17.41%	93.40	Not Available		675	642	-1.17%	95.11%

Sources: District records

- 120 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.

EAST RUTHERFORD BOARD OF EDUCATION
 SCHOOL BUILDING INFORMATION
 LAST NINE FISCAL YEARS
 (Unaudited)

	2018	2017	2016	2015	2014	2013	2012	2011	2010
<u>District Building</u>									
<u>Elementary</u>									
McKenzie Elementary									
Square Feet	54,500	54,500	54,500	54,500	54,500	54,500	54,500	54,500	54,500
Capacity (students)	411	411	411	411	411	411	411	411	411
Enrollment	472	472	475	454	451	467	471	450	391
<u>Middle School</u>									
Faust Intermediate									
Square Feet	69,935	69,935	69,935	69,935	69,935	69,935	69,935	69,935	69,935
Capacity (students)	349	349	349	349	349	349	349	349	349
Enrollment	346	342	326	333	293	297	296	306	314
<u>Other</u>									
Faust Annex									
Square Feet	4,950	4,950	4,950	4,950	4,950	4,950	4,950	4,950	4,950
Capacity (students)	Included	Included	Included	Included	Included	Included	Included	Included	Included
Enrollment	Included	Included	Included	Included	Included	Included	Included	Included	Included

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

Source: District Records

EAST RUTHERFORD BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(UNAUDITED)

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
School Facilities										
McKenzie	\$ 79,693	\$ 107,566	\$ 85,512	\$ 82,921	\$ 59,123	\$ 70,347	\$ 137,827	\$ 51,537	\$ 97,972	\$ 100,019
Faust Annex	6,291	8,491	6,750	6,546	4,668	5,554	10,882	4,069	5,743	5,863
Faust	<u>123,734</u>	<u>167,009</u>	<u>132,768</u>	<u>128,745</u>	<u>91,796</u>	<u>109,222</u>	<u>213,994</u>	<u>80,018</u>	<u>152,008</u>	<u>155,185</u>
Grand Total	<u>\$ 209,718</u>	<u>\$ 283,066</u>	<u>\$ 225,030</u>	<u>\$ 218,212</u>	<u>\$ 155,587</u>	<u>\$ 185,123</u>	<u>\$ 362,703</u>	<u>\$ 135,624</u>	<u>\$ 255,723</u>	<u>\$ 261,067</u>

**EAST RUTHERFORD BOARD OF EDUCATION
SCHEDULE OF INSURANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Company</u>	<u>Type of Coverage</u>	<u>Limits</u>	<u>Deductible</u>
School Package Policy			
Property Blanket Building & Contents-		\$ 30,794,503	\$ 5,000
Flood & Earthquake: \$5,000,000 per occurrence/\$5,000,000 annual aggregate per member			50,000
Flood: Zone A & V \$2,000,000 per occurrence/\$2,000,000 annual aggregate per member			500,000
Extra Expense		5,000,000	
Ordinance or Law Coverage A: Included			
Building Ordinance Demolition Cost		2,000,000	
Pollutant Clean Up & Removal		100,000	
Broadened Water-Direct Damage: \$100,000 or Limit of Insurance whichever is less			
Broadened Water: Loss of Income Planned Events and Tuition Fees		100,000	
Claim Data Expenses		25,000	
Fire Department Service Charge		25,000	
Fire Protection Device Charge		5,000	
Food Contamination Shutdown-Planned Events		10,000	
Lock Replacement		2,500	
Loss of Income Planned Events - Actual Loss Sustained			
Loss of Reduction Rewards: 10% of loss or \$25,000			
Newly Acquired or Constructed Property-Building		1,000,000	
Newly Acquired Property Type: Personal Property		500,000	
Non-owned Detached Trailers		5,000	
Outdoor Fences: Actual Loss You Sustain		100,000	
Outside Signs Actual Loss You Sustain		100,000	
Outdoor trees, shrubs, or plants Actual Loss You Sustain-Limit of \$10,000 per tree, shrub or plant			
Personal Effects & Property of Others		1,000	
Pollutant Cleanup and Removal: Planned Events		10,000	
Premises Extension Property: 1000 Feet			
Property Off Premises Actual Loss You Sustain		100,000	
Roof Protection		1,000	
Specified Appurtenant Structures: Public Use \$1,000,000, Your Use \$10,000, Contents \$1,000			
Transportation: Actual Loss You Sustain		100,000	
Tuition and Fees		20,000	
Utility Services: Actual Loss You Sustain		50,000	
Utility Services: Planned Events: Actual Loss You Sustain		25,000	
Valuable Papers & Records		5,000,000	
Accounts Receivable		100,000	
Fine Arts		25,000	
Computer Equipment		2,500,000	
Musical Instruments, Band Uniforms, Athletic Equipment & Theatrical Equipment		250,000	
Cameras, Audio/Video Equipment owned, leased or rented for use in your normal school operations		250,000	

Source: District Records

EAST RUTHERFORD BOARD OF EDUCATION
 SCHEDULE OF INSURANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Company	Type of Coverage	Limits	Deductible
	Misc School Property lighting, radio/TV antennas, playground equipment outdoor benches, flagpoles, etc.	\$ 100,000	
	Contractors Equipment Includes leased equip, RC & \$5,000 rental reimbursement PROVIDE SCHEDULE OF EQUIPMENT	250,000	
	Cameras, Audio/Video Equipment owned, leased or rented for use in your normal school operations	250,000	
	Systems Power Pac- Equipment Breakdown (Boiler & Machinery)	Inc. in Prop. Limit	
	Expediting Expenses	250,000	
	Hazardous Substances	250,000	
	Spoilage	250,000	
	Theft, Disappearance & Destruction (per member)	50,000	\$ 1,000
	Computer Fraud (per member)	50,000	1,000
	Public Employee Dishonesty - Per Employee	100,000	5,000
	Public Employee Dishonesty - Per Loss	500,000	100,000
GENERAL LIABILITY			
	General Aggregate	2,000,000	
	Products & Completed Operations	2,000,000	
	Personal & Advertising Injury	1,000,000	
	Each Occurrence	1,000,000	
	Fire Legal Liability Limit	1,000,000	
	Medical Expense	5,000	
GENERAL LIABILITY FORMS AND CONDITIONS			
	Employee Benefits Liability Claims Made	1,000,000	1,000
		2,000,000 Aggregate	
	Sexual Abuse & Molestation: \$1,000,000 per occurrence/\$1,000,000 annual aggregate per member		
SURETY BOND COVERAGES			
	Board Secretary/School Business Administrator	200,000	
	Treasurer of School Monies	200,000	

Source: District 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
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

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

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

INDEPENDENT AUDITOR’S REPORT

Honorable President and Members
of the Board of Education
East Rutherford Board of Education
East Rutherford, 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 East Rutherford 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 East Rutherford Board of Education’s basic financial statements and have issued our report thereon dated January 23, 2019.

Internal Control Over Financial Reporting

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

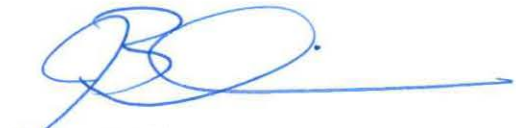
As part of obtaining reasonable assurance about whether the East Rutherford Board of Education’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the East Rutherford Board of Education in a separate report entitled, “Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance” dated January 23, 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 East Rutherford 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 East Rutherford Board of Education’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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


Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
January 23, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

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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SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
East Rutherford Board of Education
East Rutherford, New Jersey

Report on Compliance for Each Major State Program

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

Opinion on Each Major State Program

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

Other Matters

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

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

Report on Internal Control Over Compliance

Management of the East Rutherford 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 East Rutherford 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 East Rutherford 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 East Rutherford 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 23, 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 are presented for purposes of additional analysis and are 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

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Certified Public Accountants
Public School Accountants



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
January 23, 2019

EAST RUTHERFORD BOARD OF EDUCATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal/Grantor/Pass-Through Grant Program Title	Federal CFDA Number	FAIN Number	Grant or State Project Number	Grant Period	Award Amount	June 30, 2017		Accounts Receivable Carryover	Unearned Revenue Carryover	Cash Received	Budgetary Expenditures	Unearned Revenue Adjustment	June 30, 2018		MEMO GAAP Receivable	
						Accounts Receivable	Unearned Revenue						Accounts Receivable	Unearned Revenue		
U.S. Dept. of Agriculture Passed-through State Department of Education																
<u>Food Service Fund</u>																
National School Lunch Program	10.555		N/A													
Non-Cash Assistance (Food Distribution)		181NJ304N1099		7/1/17-6/30/18	\$ 25,495					\$ 25,495	\$ 25,083			\$ 412		
Non-Cash Assistance (Food Distribution)		171NJ304N1099		7/1/16-6/30/17	23,317		\$ 330				330					
Cash Assistance		181NJ304N1099		7/1/17-6/30/18	117,371					109,836	117,371		\$ (7,535)		\$ (7,535)	
Cash Assistance		171NJ304N1099		7/1/16-6/30/17	115,623	\$ (6,101)				6,101						
School Breakfast Program	10.553	181NJ304N1099	N/A	7/1/17-6/30/18	58,407					53,757	58,407		(4,650)		(4,650)	
School Breakfast Program	10.553	171NJ304N1099	N/A	7/1/16-6/30/17	63,432	(4,183)				4,183						
Total Child Nutrition Cluster/Food Service Fund						(10,284)	330			199,372	201,191			(12,185)	412	(12,185)
U.S. Department of Education Passed-through State Dept. of Education																
<u>General Fund</u>																
Medical Assistance Program (SEMI)	93.778	1805NJ5MAP	N/A	7/1/17-6/30/18	27,163					27,163	27,163					
Medical Assistance Program (SEMI)	93.778	1705NJ5MAP	N/A	7/1/16-6/30/17	27,498	(1,962)				1,962						
						(1,962)				29,125	27,163					
U.S. Department of Education Passed-through State Dept. of Education																
<u>Special Revenue Fund</u>																
Title III	84.365	S365A170030	ESEA123018	7/1/17-6/30/18	13,755				\$ 500	9,372	14,088		(4,383)	167	(4,216)	
Title III	84.365	S365A160030	NCLB123017	7/1/16-6/30/17	19,588	(5,396)	500		(500)	5,396						
Title III - Immigrant	84.365	S365A170030	ESEA123018	7/1/17-6/30/18	5,464			(3,233)	3,233	894	8,697		(7,803)		(7,803)	
Title III - Immigrant	84.365	S365A160030	NCLB123017	7/1/16-6/30/17	4,883	(3,233)	3,233	3,233	(3,233)							
Total Title III Cluster											22,785					
IDEA Part B, Basic	84.027	H027A170100	IDEA123018	7/1/17-6/30/18	199,753					199,753	199,753					
IDEA Preschool	84.173	H173A170114	IDEA123018	7/1/17-6/30/18	6,635					6,635	6,635					
Total Special Education Cluster (IDEA)											206,388					
Title I - Part A	84.010	S010A170030	ESEA123018	7/1/17-6/30/18	157,553				13,422	84,141	151,366		(73,412)	19,609	(53,803)	
Title I - Part A	84.010	S010A160030	NCLB123017	7/1/16-6/30/17	159,031	(39,246)	13,422		(13,422)	39,246						
Title II - Part A	84.367A	S367A170029	ESEA123018	7/1/17-6/30/18	19,384				19,048	11,011	38,349		(8,373)	83	(8,290)	
Title II - Part A	84.367A	S367A160029	NCLB123017	7/1/16-6/30/17	25,398	(19,048)	19,048		(19,048)	19,048						
Title IV - Part A	84.424	S424A180031	ESEA123018	7/1/17-6/30/18	10,000					3,120	5,349		(6,880)	4,651	(2,229)	
Total Special Revenue Fund						(66,923)	36,203			378,616	424,237			(100,851)	24,510	(76,341)
Total Federal Financial Assistance						\$ (79,169)	\$ 36,533	\$ -	\$ -	\$ 607,113	\$ 652,591	\$ -	\$ (113,036)	\$ 24,922	\$ (88,526)	

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

The Notes to the Schedules of Federal Awards and State Financial Assistance are an Integral Part of the Statement

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

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2017	Carryover Amount	Cash Received	Budgetary Expenditures	Refund of Prior Year Balances	June 30, 2018			MEMO	
									Accounts Receivable	Unearned Revenue	Due to Grantor	GAAP Receivable	Budgetary Expenditures
State Department of Education													
General Fund													
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 435,275			\$ 411,054	\$ 435,275		\$ (24,221)				\$ 435,275
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	420,248	\$ (23,919)		23,919							
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	124,143			117,235	124,143		(6,908)				124,143
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	124,143	(7,066)		7,066							
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	7,650			7,224	7,650		(426)				7,650
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	7,650	(435)		435							
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	7,650			7,224	7,650		(426)				7,650
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	7,650	(435)		435							
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	8,230			7,772	8,230		(458)				8,230
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	8,230	(469)		469							
Host District Support Aid	18-495-034-5120-102	7/1/17-6/30/18	946			894	946		(52)				946
Host District Support Aid	17-495-034-5120-102	7/1/16-6/30/17	946	(54)		54							
Total State Aid Public Cluster							583,894						
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	42,331			39,976	42,331		(2,355)				42,331
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	42,331	(2,409)		2,409							
Extraordinary Aid	18-100-034-5120-044	7/1/16-6/30/17	189,659				189,659		(189,659)				189,659
Extraordinary Aid	17-100-034-5120-044	7/1/16-6/30/17	228,231	(228,231)		228,231							
Lead Testing for Schools Aid	18-495-034-5120-104	7/1/17-6/30/18	1,901			1,901	1,901						1,901
On-behalf TPAF Pension Contributions - Normal Cost/Accrued Liability	18-495-034-5094-002	7/1/17-6/30/18	1,030,529			1,030,529	1,030,529						1,030,529
On-behalf TPAF Pension Contributions - NCGI Premiums	18-495-034-5094-004	7/1/17-6/30/18	25,008			25,008	25,008						25,008
On-behalf TPAF Contributions - LTDI Premiums	18-495-034-5094-004	7/1/17-6/30/18	1,266			1,266	1,266						1,266
On-behalf TPAF Contributions - Post-Retirement Medical Benefits	18-495-034-5094-001	7/1/17-6/30/18	681,749			681,749	681,749						681,749
Reimbursed TPAF Social Security	18-495-034-5094-003	7/1/17-6/30/18	521,203			495,409	521,203		(25,794)			\$ (25,794)	521,203
Reimbursed TPAF Social Security	17-495-034-5094-003	7/1/16-6/30/17	533,814	(1,926)		1,926							
Total General Fund				(264,944)	-	3,092,185	3,077,540	-	(250,299)	-	-	(25,794)	3,077,540
Special Revenue Fund													
New Jersey Nonpublic Aid:													
Handicapped Services:													
Exam and Classification	18-100-034-5120-066	7/1/17-6/30/18	1,273			1,273	1,273						1,273
Supplementary Instruction	18-100-034-5120-066	7/1/17-6/30/18	317			317	317						317
				-	-	1,590	1,590	-	-	-	-	-	1,590
Food Service Fund													
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	3,360			3,145	3,360		(215)			(215)	3,360
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	3,107	(164)		164							
Total Food Service Fund				(164)	-	3,309	3,360	-	(215)	-	-	(215)	3,360
Total State Financial Assistance Subject to Single Audit Determination				(265,108)	-	3,097,084	3,082,490	-	(250,514)	-	-	(26,009)	3,082,490
State Financial Assistance Not Subject to Major Program Determination:													
General Fund													
TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	1,030,529			(1,030,529)	(1,030,529)						(1,030,529)
TPAF Pension - NCGI Premiums	18-495-034-5094-004	7/1/17-6/30/18	25,008			(25,008)	(25,008)						(25,008)
TPAF - LTDI Premiums	18-495-034-5094-004	7/1/17-6/30/18	1,266			(1,266)	(1,266)						(1,266)
TPAF Post Retirement Medical Benefits	18-495-034-5094-001	7/1/17-6/30/18	681,749			(681,749)	(681,749)						(681,749)
Total State Financial Assistance for Major Program Determination				\$ (265,108)	\$ -	\$ 1,358,532	\$ 1,343,938	\$ -	\$ (250,514)	\$ -	\$ -	\$ (26,009)	\$ 1,343,938

**EAST RUTHERFORD 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 East Rutherford Board of Education. The Board of Education is defined in Note 1(A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$38,513 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	\$ 27,163	\$ 3,116,053	\$ 3,143,216
Special Revenue Fund	424,237	1,590	425,827
Food Service Fund	<u>201,191</u>	<u>3,360</u>	<u>204,551</u>
Total Awards Financial Assistance	<u>\$ 652,591</u>	<u>\$ 3,121,003</u>	<u>\$ 3,773,594</u>

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

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$521,203 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 \$1,055,537, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$681,749 and TPAF Long-Term Disability Insurance in the amount of \$1,266 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

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

Part I – Summary of Auditor’s Results

Financial Statement Section

- | | | |
|--|-------------------|-----------------|
| A) Type of auditors' report issued: | <u>Unmodified</u> | |
| B) Internal control over financial reporting: | | |
| 1) Material weakness(es) identified? | _____ yes | <u> X </u> no |
| 2) Were significant deficiencies identified that were
not considered to be material weaknesses? | _____ yes | <u> X </u> no |
| C) Noncompliance material to the basic financial
statements noted? | _____ yes | <u> X </u> no |

Federal Awards Section

NOT APPLICABLE

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

Part I – Summary of Auditor's Results

State Awards Section

Type of auditors' report on compliance for major programs: Unmodified

Internal Control over compliance:

1) Material weakness(es) identified? _____ yes X no

2) Were significant deficiencies identified that were
 not considered to be material weaknesses? _____ yes X no

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

Identification of major programs:

GMIS Number(s)	Name of State Program
<u>18-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>18-495-034-5120-084</u>	<u>Security Aid</u>
<u>18-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>18-495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>18-495-034-5120-101</u>	<u>Professional Learning Community Aid</u>
<u>18-495-034-5120-102</u>	<u>Host District Support Aid</u>

Dollar threshold used to determine Type A programs \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

**EAST RUTHERFORD 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, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

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

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

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

CURRENT YEAR FEDERAL AWARDS

Not Applicable

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

CURRENT YEAR STATE AWARDS

Finding 2018-001

Our audit revealed contracts awarded for technology equipment and services which exceeded the bid threshold were bid by an independent consultant which did not adhere to the requirements of the Public School Contracts Law.

State Program Information

Special Education Categorical Aid	495-034-5120-089
Security Aid	495-034-5120-084
Per Pupil Growth Aid	495-034-5120-097
PARCC Readiness Aid	495-034-5120-098
Professional Learning Community Aid	495-034-5120-101
Host District Support Aid	495-034-5120-102

Criteria or Specific Requirement

State Grant Compliance Supplement – State Aid Public – Special Tests and Provisions
NJSA 18A:18A – Public School Contracts Law

Condition

Purchases of technology equipment and services which were bid by an independent consultant were not in accordance with the procedures specified in the Public School Contracts Law.

Questioned Costs:

Unknown.

Context

Purchases for technology equipment and services totaling \$81,516 were not procured through public bids advertised in accordance with the Public School Contracts Law.

Effort:

Noncompliance with requirements of the Public School Contracts Law.

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

CURRENT YEAR STATE AWARDS (Continued)

Finding 2018-001 (Continued)

Cause

Unknown.

Recommendation

Contracts awarded for technology equipment and services in excess of the bid threshold be procured in accordance with the requirements of the Public School Contracts Law.

View of Responsible Officials and Planned Corrective Action Plan

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

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

This section identifies the status of prior-year findings related to the basic financial statements and 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

There were none.