

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

Old Tappan, New Jersey

COMPREHENSIVE ANNUAL

FINANCIAL REPORT

of the

Old Tappan Board of Education

Old Tappan, New Jersey

For The Fiscal Year Ended June 30, 2018

Prepared by

Business Office

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INTRODUCTORY SECTION

Old Tappan Board of Education

277 Old Tappan Road . Old Tappan, NJ 07675

Telephone: 201-664-1421 Ext. 2503

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School Business Administrator/
Board Secretary

January 22, 2019

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

Dear Board Members:

The comprehensive annual financial report of the Old Tappan Board of Education (the "Board") for the fiscal year ended June 30, 2018, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis (MD&A), the basic financial statements including the district-wide financial statements. The basic financial statements also include individual fund financial statements, notes to the financial statements and required supplementary information ("RSI"). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

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

1) REPORTING ENTITY AND ITS SERVICES:

The Old Tappan Board of Education is an independent reporting entity within the criteria adopted by GASB. All funds of the District are included in this report. The Old Tappan Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular and special education students. The District completed the 2017-2018 fiscal year with an average daily enrollment of 659.9 students, which is a 3.45% decrease from the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>School Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017-18	659.9	(3.45)%
2016-17	683.4	(4.08)%
2015-16	712.5	(3.28)%
2014-15	736.7	(1.76)%
2013-14	749.9	(0.80)%
2012-13	756.0	(2.41)%
2011-12	774.7	(5.63)%
2010-11	820.9	(5.83)%
2009-10	871.7	1.27%
2008-09	860.7	(0.73)%

2) ECONOMIC CONDITION AND OUTLOOK:

The Borough of Old Tappan comprises a land area of 3.2 square miles and is located in the northeastern part of Bergen County. Due to the current economic conditions, the District enrollment has decreased in each of the last seven years.

3) MAJOR INITIATIVES:

- To continue to meet all requirements associated with Achieve NJ and Teach NJ, as well as to continue to understand the implications of the PARCC and NJSLA on teaching and learning at all grade levels.
- To work with the Northern Valley Curriculum Center to develop assessments in targeted content areas to support the attainment of the New Jersey Student Learning Standards (NJ SLS) and to monitor student growth.
- To work towards identifying 21st century skills and their importance relative to working with K-8 students. To incorporate 21st century skills into classroom practices, with an emphasis on enhancing student engagement with the curricular content.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

5) BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. All open encumbrances at year-end were canceled.

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) FINANCIAL INFORMATION AT FISCAL YEAR-END:

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.

8) CASH MANAGEMENT:

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

9) RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board is a member of the Northeast Bergen School Board Insurance Group.

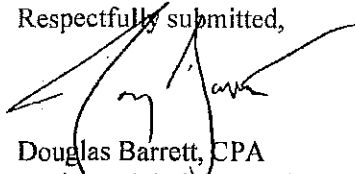
10) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board of Trustees selected the accounting firm of Lerch, Vinci, and Higgins, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of State Treasury Circular Letter 15-08 OMB. The auditor's report on the basic financial statements, the combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS:

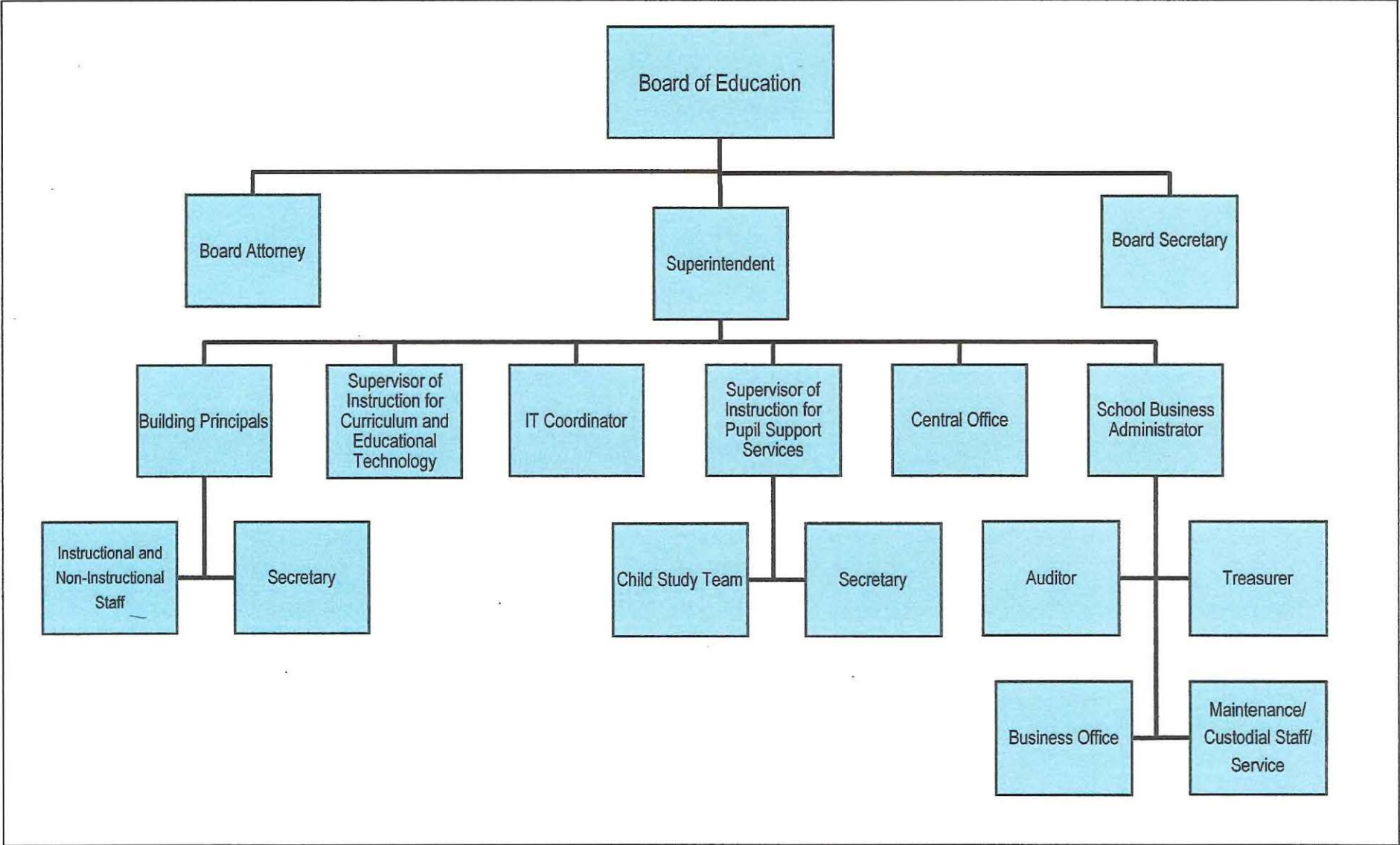
We would like to express our appreciation to the members of the Old Tappan Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation.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

Respectfully submitted,



Douglas Barrett, CPA
Business Administrator/
Board Secretary

**OLD TAPPAN PUBLIC SCHOOLS
ORGANIZATIONAL CHART
6/30/2018**



OLD TAPPAN BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2018

Members of the Board of Education

Maryellen LaFronz, President

Kurt Linder, Vice President

Melissa Del Rosso

Kristen Santoro

John L Shahdanian II

Other Officials

Dr. Danielle M. Da Giau, Superintendent of Schools

Douglas S. Barrett, CPA, School Business Administrator/Board Secretary

Antoinette Kelly, Treasurer

OLD TAPPAN BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Independent Auditor

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

Attorney

Fogarty & Hara
21-00 Route 208 South
Fair Lawn, NJ 07410

Official Depository

Oritani Bank
370 Pascack Rd.
Township of Washington, NJ 07676

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board Education
Old Tappan Board of Education
Old Tappan, 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 Old Tappan 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 Old Tappan 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 Old Tappan 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 Old Tappan Board of Education's basic financial statements. The introductory section, combining and individual nonmajor 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 Old Tappan Board of Education.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2019 on our consideration of the Old Tappan 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 Old Tappan 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 Old Tappan Board of Education's internal control over financial reporting and compliance.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
January 22, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

OLD TAPPAN BOARD OF EDUCATION MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Financial Highlights

Key financial highlights for the 2017/2018 school year are as follows:

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$19,489,606 (Net Position).
- Governmental Activities - The School District had \$18,134,214 in expenses; only \$5,603,487 of these expenses are offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$14,737,681 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$16,494,885 in revenues and \$14,554,011 in expenditures. The General Fund's fund balance increased by \$1,940,874 from June 30, 2017.
- The General Fund unassigned budgetary basis fund balance at June 30, 2018 was \$493,834, which represents a decrease of \$35,304 compared to the ending budgetary basis fund balance at June 30, 2017 of \$529,138.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document reports on all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and ask the question, “How did we do financially during 2017/2018?” The Statement of Net Position and the Statement of Activities answer that question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District’s Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The District’s activities are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District’s general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

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

The District as a Whole

The Statement of Net Position provides one perspective of the District as a whole. Below is a summary of the District's Net Position as of June 30, 2018 and 2017.

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Assets						
Current and Other Assets	\$ 14,958,089	\$ 13,016,439	\$ 1,030	\$ 1,024	\$ 14,959,119	\$ 13,017,463
Capital Assets	<u>7,155,671</u>	<u>7,810,797</u>	<u>-</u>	<u>-</u>	<u>7,155,671</u>	<u>7,810,797</u>
Total Assets	<u>22,113,760</u>	<u>20,827,236</u>	<u>1,030</u>	<u>1,024</u>	<u>22,114,790</u>	<u>20,828,260</u>
Deferred Outflows of Resources						
Deferred Amounts on Refunding of Debt		4,558			-	4,558
Deferred Amounts on Net Pension Liability	<u>829,000</u>	<u>960,772</u>	<u>-</u>	<u>-</u>	<u>829,000</u>	<u>960,772</u>
Total Deferred Outflows of Resources	<u>829,000</u>	<u>965,330</u>	<u>-</u>	<u>-</u>	<u>829,000</u>	<u>965,330</u>
Liabilities						
Long-Term Liabilities	2,110,117	3,327,837			2,110,117	3,327,837
Other Liabilities	<u>88,181</u>	<u>95,449</u>	<u>-</u>	<u>-</u>	<u>88,181</u>	<u>95,449</u>
Total Liabilities	<u>2,198,298</u>	<u>3,423,286</u>	<u>-</u>	<u>-</u>	<u>2,198,298</u>	<u>3,423,286</u>
Deferred Inflows of Resources						
Deferred Amounts on Net Pension Liability	<u>1,255,886</u>	<u>1,087,658</u>	<u>-</u>	<u>-</u>	<u>1,255,886</u>	<u>1,087,658</u>
Total Deferred Inflows of Resources	<u>1,255,886</u>	<u>1,087,658</u>	<u>-</u>	<u>-</u>	<u>1,255,886</u>	<u>1,087,658</u>
Net Position:						
Net Investment in Capital Assets	7,155,671	6,990,013			7,155,671	6,990,013
Restricted	11,267,544	9,595,761			11,267,544	9,595,761
Unrestricted	<u>1,065,361</u>	<u>695,848</u>	<u>1,030</u>	<u>1,024</u>	<u>1,066,391</u>	<u>696,872</u>
Total Net Position	<u>\$ 19,488,576</u>	<u>\$ 17,281,622</u>	<u>\$ 1,030</u>	<u>\$ 1,024</u>	<u>\$ 19,489,606</u>	<u>\$ 17,282,646</u>

Below is a summary of changes in Net Position for the fiscal years ended June 30, 2018 and 2017.

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues						
Charges for Services	\$ 70,386	\$ 34,440			\$ 70,386	\$ 34,440
Operating and Capital Grants and Contributions	5,533,101	5,286,501			5,533,101	5,286,501
General Revenues						
Property Taxes	14,469,005	14,236,864			14,469,005	14,236,864
Other	268,676	241,816	\$ 6	\$ 3	268,682	241,819
Total Revenues	<u>20,341,168</u>	<u>19,799,621</u>	<u>6</u>	<u>3</u>	<u>20,341,174</u>	<u>19,799,624</u>
Expenses						
Current						
Instruction	11,364,983	11,928,653			11,364,983	11,928,653
Support Services						
Student and Instruction Related Serv.	2,526,941	2,635,495			2,526,941	2,635,495
General and School Administration	1,101,199	1,090,843			1,101,199	1,090,843
Business / Central Services	597,344	579,745			597,344	579,745
Maintenance of Facilities	2,302,493	2,258,965			2,302,493	2,258,965
Pupil Transportation	208,488	258,510			208,488	258,510
Interest and Other Charges on Debt	29,469	66,462			29,469	66,462
Loss on Disposal of Capital Assets	3,297				3,297	
Food Service	-	-	-	-	-	-
Total Expenses	<u>18,134,214</u>	<u>18,818,673</u>	<u>-</u>	<u>-</u>	<u>18,134,214</u>	<u>18,818,673</u>
Change in Net Position	2,206,954	980,948	6	3	2,206,960	980,951
Net Position, Beginning of Year	<u>17,281,622</u>	<u>16,300,674</u>	<u>1,024</u>	<u>1,021</u>	<u>17,282,646</u>	<u>16,301,695</u>
Net Position, End of Year	<u>\$ 19,488,576</u>	<u>\$ 17,281,622</u>	<u>\$ 1,030</u>	<u>\$ 1,024</u>	<u>\$ 19,489,606</u>	<u>\$ 17,282,646</u>

Governmental Activities

Property taxes comprise 71 percent of revenues for governmental activities. The District's total revenues were \$20,341,168 for the fiscal year ended June 30, 2018. Federal and state grants accounted for 28 percent of revenue. The total cost of all programs and services was \$18,130,917. Instruction comprises 62 percent of District expenses. In addition, the District had a loss on the disposal of its capital assets of \$3,297.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following schedule shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

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

<u>Functions/Programs</u>	<u>Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction	\$ 11,364,983	\$ 11,928,653	\$ 6,966,912	\$ 7,611,878
Support Services				
Student and Instruction Related Svcs.	2,526,941	2,635,495	1,807,075	1,985,284
General and School Administrative Services	1,101,199	1,090,843	876,606	896,124
Business / Central Services	597,344	579,745	412,815	456,987
Maintenance of Facilities	2,302,493	2,258,965	2,252,805	2,246,177
Pupil Transportation	208,488	258,510	181,748	234,820
Interest and Other Charges on Debt	29,469	66,462	29,469	66,462
Total Governmental Activities	<u>\$ 18,130,917</u>	<u>\$ 18,818,673</u>	<u>\$ 12,527,430</u>	<u>\$ 13,497,732</u>

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

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

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

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

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

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

The District's Funds

All governmental funds (i.e., general fund, special revenue fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$17,509,074 and expenditures were \$15,568,200.

The District's Funds (Continued)

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

	Fiscal Year Ended <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>	Amount of Increase <u>(Decrease)</u>	Percent Change
Local Sources	\$ 14,640,826	\$ 14,337,417	\$ 303,409	2.12%
State Sources	2,714,542	2,381,091	333,451	14.00%
Federal Sources	<u>153,706</u>	<u>146,771</u>	<u>6,935</u>	4.73%
Total Revenues	<u>\$ 17,509,074</u>	<u>\$ 16,865,279</u>	<u>\$ 643,795</u>	3.82%

The following schedule represents a summary of general fund, special revenue fund and debt service fund expenditures for the fiscal years ended June 30, 2018 and 2017.

	Fiscal Year Ended <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>	Amount of Increase <u>(Decrease)</u>	Percent Change
Instruction	\$ 9,238,513	\$ 9,603,510	\$ (364,997)	-3.80%
Support Services	4,786,251	4,918,975	(132,724)	-2.70%
Capital Outlay	685,139	353,560	331,579	93.78%
Debt Service	<u>858,297</u>	<u>905,217</u>	<u>(46,920)</u>	-5.18%
Total Expenditures	<u>\$ 15,568,200</u>	<u>\$ 15,781,262</u>	<u>\$ (213,062)</u>	-1.35%

General Fund Budgeting Highlights

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

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

- Salary accounts were adjusted to reflect: changes in staff assignments; retirements, resignations and the resulting new hires; program adjustments necessitated by student population changes.
- Transfers were made to reclassify expenditures for both specific special education programs and extraordinary support services that were budgeted in other programs services as well as unexpected increases in these services, as well as increases to acquire equipment for Operation Maintenance and Regular Instruction and increases to Capital Outlay equipment.

General Fund Budgeting Highlights (Continued)

- TPAF, which is the state's contribution to the pension fund and social security is neither a revenue item nor an expenditure item in the District's budget but is required to be reflected in the financial statements.

Capital Assets

At June 30, 2018, the District had \$17,469,652 in land, buildings, furniture, equipment and vehicles. Below is a comparison of the book value of capital assets (net of accumulated depreciation) at June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Land	\$ 38,600	\$ 38,600
Buildings and Building Improvements	6,359,297	7,628,678
Site Improvements	359,469	
Machinery, Equipment and Vehicles	<u>398,305</u>	<u>143,519</u>
Total	<u>\$ 7,155,671</u>	<u>\$ 7,810,797</u>

Debt Administration

At June 30, 2018 and 2017, the District had \$2,110,117 and \$3,327,837 of outstanding long-term liabilities. Of these amounts, \$15,071 and \$40,706 is for compensated absences; \$0 and \$825,342 are for serial bonds plus unamortized premiums previously issued for school construction projects; \$2,095,046 and \$2,461,789 is for net pension liability, as of June 30, 2018 and 2017, respectively.

For the Future

Currently, the District is in excellent financial condition. Everyone associated with the Old Tappan School District is grateful for the community support of the schools. However, new legislation is a major concern and may significantly limit the District's ability to provide programs and appropriate class sizes. This, coupled with uncertainty surrounding a new funding formula, will perpetuate the significant reliance on local property taxes.

In conclusion, the Old Tappan School District has committed itself to financial excellence for many years. Its system for financial planning, budgeting, and internal financial controls is audited annually and the District will continue to work hard to prudently manage its finances to meet the many challenges ahead.

Contacting the District's Financial Management

If you have questions about this report or need additional information, contact the School Business Administrator at the Old Tappan Board of Education, 277 Old Tappan Road, Old Tappan, NJ 07675.

FINANCIAL STATEMENTS

OLD TAPPAN 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	\$ 14,941,682	\$ 1,030	\$ 14,942,712
Receivables, net			
Receivables from Other Governments	7,547		7,547
Other Receivables	8,860		8,860
Capital Assets			
Not Being Depreciated	38,600		38,600
Being Depreciated, net	<u>7,117,071</u>	<u>-</u>	<u>7,117,071</u>
Total Assets	<u>22,113,760</u>	<u>1,030</u>	<u>22,114,790</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>829,000</u>	<u>-</u>	<u>829,000</u>
Total Deferred Outflows of Resources	<u>829,000</u>	<u>-</u>	<u>829,000</u>
LIABILITIES			
Accounts Payable	33,055		33,055
Unearned Revenue	55,126		55,126
Noncurrent Liabilities			
Due Beyond One Year	<u>2,110,117</u>	<u>-</u>	<u>2,110,117</u>
Total Liabilities	<u>2,198,298</u>	<u>-</u>	<u>2,198,298</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>1,255,886</u>	<u>-</u>	<u>1,255,886</u>
Total Deferred Inflows of Resources	<u>1,255,886</u>	<u>-</u>	<u>1,255,886</u>
NET POSITION			
Net Investment in Capital Assets	7,155,671		7,155,671
Restricted for			
Capital Projects	10,301,594		10,301,594
Other Purposes	965,950		965,950
Unrestricted	<u>1,065,361</u>	<u>1,030</u>	<u>1,066,391</u>
Total Net Position	<u>\$ 19,488,576</u>	<u>\$ 1,030</u>	<u>\$ 19,489,606</u>

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

**OLD TAPPAN 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	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Instruction						
Regular	\$ 8,339,764		\$ 3,032,784	\$ (5,306,980)		\$ (5,306,980)
Special Education	2,410,921		1,023,293	(1,387,628)		(1,387,628)
Other Instruction	524,962	\$ 70,386	265,118	(189,458)		(189,458)
School Sponsored Activities and Athletics	89,336		6,490	(82,846)		(82,846)
Support Services						
Student and Instruction Related Services	2,526,941		719,866	(1,807,075)		(1,807,075)
General Administration Services	459,575		26,159	(433,416)		(433,416)
School Administration Services	641,624		198,434	(443,190)		(443,190)
Business / Central Services	597,344		184,529	(412,815)		(412,815)
Plant Operations and Maintenance	2,302,493		49,688	(2,252,805)		(2,252,805)
Pupil Transportation	208,488		26,740	(181,748)		(181,748)
Interest and Other Charges on Debt	29,469	-	-	(29,469)	-	(29,469)
Total Governmental Activities	18,130,917	70,386	5,533,101	(12,527,430)	-	(12,527,430)
Total Primary Government	\$ 18,130,917	\$ 70,386	\$ 5,533,101	(12,527,430)	-	(12,527,430)
General Revenues						
Property Taxes, Levied for						
General Purposes				13,775,428		13,775,428
Debt Service				693,577		693,577
Investment Earnings				84,276	\$ 6	84,282
State Aid Levied for Debt Service				163,598		163,598
Unrestricted State Aid				6,951		6,951
Miscellaneous Income				13,851		13,851
Other Items						
Loss on Disposal of Capital Assets				(3,297)	-	(3,297)
Total General Revenues				14,734,384	6	14,734,390
Change in Net Position				2,206,954	6	2,206,960
Net Position, Beginning of Year				17,281,622	1,024	17,282,646
Net Position, End of Year				\$ 19,488,576	\$ 1,030	\$ 19,489,606

FUND FINANCIAL STATEMENTS

OLD TAPPAN BOARD OF EDUCATION
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 AS OF JUNE 30, 2018

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 14,914,859	\$ 26,823		\$ 14,941,682
Receivables, Net				
Receivables from Other Governments	7,547			7,547
Other Receivables	<u>8,860</u>	<u>-</u>	<u>-</u>	<u>8,860</u>
Total Assets	<u>\$ 14,931,266</u>	<u>\$ 26,823</u>	<u>\$ -</u>	<u>\$ 14,958,089</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 33,055			\$ 33,055
Unearned Revenue	<u>28,303</u>	<u>\$ 26,823</u>	<u>-</u>	<u>55,126</u>
Total Liabilities	<u>61,358</u>	<u>26,823</u>	<u>-</u>	<u>88,181</u>
Fund Balances				
Restricted				
Capital Reserve	10,301,594			10,301,594
Maintenance Reserve	715,950			715,950
Emergency Reserve	250,000			250,000
Excess Surplus	1,903,621			1,903,621
Excess Surplus Designated for Subsequent Year's Budget	1,476,737			1,476,737
Unassigned	<u>222,006</u>	<u>-</u>	<u>-</u>	<u>222,006</u>
Total Fund Balances	<u>14,869,908</u>	<u>-</u>	<u>-</u>	<u>14,869,908</u>
Total Liabilities and Fund Balances	<u>\$ 14,931,266</u>	<u>\$ 26,823</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$17,469,652 and the accumulated depreciation is \$10,313,981.

7,155,671

The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is:

-

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

Deferred Outflows of Resources	\$ 829,000	
Deferred Inflows of Resources	<u>(1,255,886)</u>	(426,886)

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.

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

Compensated Absences	(15,071)	
Net Pension Liability	<u>(2,095,046)</u>	<u>(2,110,117)</u>

Net Position of Governmental Activities (Exhibit A-1) \$ (2,537,003)

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

Total Fund Balances (Exhibit B-1) **\$ 14,869,908**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$17,469,652 and the accumulated depreciation is \$10,313,981.

7,155,671

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

Deferred Outflows of Resources

\$ 829,000

Deferred Inflows of Resources

(1,255,886)

(426,886)

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

Compensated Absences

(15,071)

Net Pension Liability

(2,095,046)

(2,110,117)

Net Position of Governmental Activities (Exhibit A-1)

\$ 19,488,576

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources				
Property Tax Levy	\$ 13,775,428		\$ 693,577	\$ 14,469,005
Tuition	70,386			70,386
Interest	84,276			84,276
Miscellaneous	13,851	\$ 3,308	-	17,159
Total - Local Sources	<u>13,943,941</u>	<u>3,308</u>	<u>693,577</u>	<u>14,640,826</u>
Intergovernmental				
State Sources	2,550,944		163,598	2,714,542
Federal Sources	-	153,706	-	153,706
Total Intergovernmental Sources	<u>2,550,944</u>	<u>153,706</u>	<u>163,598</u>	<u>2,868,248</u>
Total Revenues	<u>16,494,885</u>	<u>157,014</u>	<u>857,175</u>	<u>17,509,074</u>
EXPENDITURES				
Current				
Instruction				
Regular Instruction	6,527,029	11,199		6,538,228
Special Education Instruction	2,009,189	138,217		2,147,406
Other Instruction	461,686	5,689		467,375
School-Sponsored Activities and Athletics	85,504			85,504
Support Services				
Student and Instruction Related Services	2,102,839	1,909		2,104,748
General Administration Services	414,681			414,681
School Administration Services	545,996			545,996
Business/Central Services	514,167			514,167
Plant Operations and Maintenance	998,171			998,171
Pupil Transportation	208,488			208,488
Debt Service				
Principal			825,000	825,000
Interest and Other Charges	1,122		32,175	33,297
Capital Outlay	685,139	-	-	685,139
Total Expenditures	<u>14,554,011</u>	<u>157,014</u>	<u>857,175</u>	<u>15,568,200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,940,874	-	-	1,940,874
Fund Balance, Beginning of Year	<u>12,929,034</u>	-	-	<u>12,929,034</u>
Fund Balance, End of Year	<u>\$ 14,869,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,869,908</u>

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

**OLD TAPPAN 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) **\$ 1,940,874**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities those costs are shown in the statement and allocated over their estimated useful lives as depreciation expense.

Capital Outlay	\$ 685,139	
Depreciation Expense	<u>(1,336,968)</u>	
		(651,829)

The net effect of various transactions involving capital assets is to increase or decrease net position. These transactions are reported in the governmental funds financial statements.

Loss on Disposal of Capital Assets		(3,297)
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Repayment of lease purchase and bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. Additionally, governmental funds report the effect of premiums, discounts and similar items when the debt is issued, whereas these amounts are deferred and amortized in the statement of activities:

Bond Principal	825,000	
Amortization Expense:		
Deferred Amount on Refunding	(4,558)	
Original Issue Premium	<u>342</u>	
		820,784

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

Decrease in Compensated Absences	25,635	
Decrease in Pension Expense	<u>66,743</u>	
		92,378

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>8,044</u>
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Change in Net Position of Governmental Activities (Exhibit A-2) **\$ 2,206,954**

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

OLD TAPPAN BOARD OF EDUCATION
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2018

	<u>Other Non-Major Enterprise Fund Totals</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,030
Total Assets	<u>1,030</u>
NET POSITION	
Unrestricted	<u>1,030</u>
Total Net Position	<u>\$ 1,030</u>

**OLD TAPPAN BOARD OF EDUCATION
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Other Non-Major Enterprise Fund <u>Totals</u>
NONOPERATING REVENUES	
Interest on Investments	\$ <u>6</u>
Total Nonoperating Revenues	<u>6</u>
Change in Net Position	6
Net Position, Beginning of Year	<u>1,024</u>
Net Position, End of Year	<u>\$ 1,030</u>

**OLD TAPPAN BOARD OF EDUCATION
 PROPRIETARY FUND
 FOOD SERVICE ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Other Non-Major Enterprise Fund <u>Totals</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	\$ <u>6</u>
Net Cash Provided by (Used for) Investing Activities	<u>6</u>
Net Change in Cash and Cash Equivalents	6
Cash and Cash Equivalents, Beginning of Year	<u>1,024</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,030</u>

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

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 615,964	\$ 104,328
	<u>615,964</u>	<u>104,328</u>
Total Assets		\$ 104,328
LIABILITIES		
Payroll Deductions and Withholdings		\$ 60,244
Accrued Salaries And Wages		1,988
Due to State of New Jersey	\$ 826	
Due to Student Groups	<u>-</u>	<u>42,096</u>
Total Liabilities	<u>826</u>	<u>\$ 104,328</u>
NET POSITION		
Held in Trust for Unemployment Claims	<u>\$ 615,138</u>	

**OLD TAPPAN BOARD OF EDUCATION
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions	
Employees	\$ 11,862
Investment Earnings	
Interest	<u>3,525</u>
Total Additions	<u>15,387</u>
DEDUCTIONS	
Unemployment Claims and Contributions	15,842
Miscellaneous	<u>1,546</u>
Total Deductions	<u>17,388</u>
Change in Net Position	(2,001)
Net Position, Beginning of Year	<u>617,139</u>
Net Position, End of Year	<u>\$ 615,138</u>

NOTES TO THE FINANCIAL STATEMENTS

**OLD TAPPAN 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 Old Tappan 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 five elected officials and is responsible for the fiscal control of the District. A superintendent of schools 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 Old Tappan Board of Education this includes general operations, food service and student related activities of the District.

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

B. New Accounting Standards

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the fiscal 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 fiscal 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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

The *food service fund* accounts for the activities of the school cafeteria.

Additionally, the government reports the following fund types:

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

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

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

**OLD TAPPAN 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.

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. *Capital Assets (Continued)*

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>
Site Improvements	5-20
Buildings and Building Improvements	20-50
Machinery and Equipment	5-10

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. 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 only one type of item, which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amount 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.

OLD TAPPAN 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 vacation and sick leave benefits. A long-term liability of accumulated vacation and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds do not permit the accrual of unused vacation or sick leave. 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 classified as deferred outflows of resources. Bond premiums and discounts 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.

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.

OLD TAPPAN 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)

District-Wide Statements (Continued)

- **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 2C).

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 2D).

Emergency Reserve – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education. (See Note 2E).

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

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

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

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

**OLD TAPPAN 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)

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

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

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.

**OLD TAPPAN 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

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. Interest income is reported as non-operating revenue.

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 District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 6, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$295,699. The increase was funded by additional State aid, prior year extraordinary aid and grant awards.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

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

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund			
Regular Programs – Undistributed Instruction			
General Supplies	\$186,744	\$190,937	\$4,193

The above variances were offset with other available resources.

C. 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.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

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

Balance, July 1, 2017		\$ 8,629,811
Increased by		
Interest Earned	\$ 44,729	
Unexpended Balance of Capital Outlay Appropriations Funded by Capital Reserve	252,054	
Deposits Approved by Board Resolution	<u>2,300,000</u>	
		<u>2,596,783</u>
		11,226,594
Withdrawals Approved in District Budget		<u>925,000</u>
Balance, June 30, 2018		<u>\$ 10,301,594</u>

D. 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.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Maintenance Reserve (Continued)

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

Balance, July 1, 2017	\$ 715,950
Increased by	
Deposits Approved by Board June, 2018	<u>50,000</u>
	765,950
Withdrawals	
Approved in District 's Budget	<u>50,000</u>
Balance, June 30, 2018	<u>\$ 715,950</u>

The June 30, 2018 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$715,950. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities.

E Emergency Reserve

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

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

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

F. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2018 is \$3,380,358. Of this amount, \$1,476,737 was designated and appropriated in the 2018/2019 original budget certified for taxes and the remaining amount of \$1,903,621 will be appropriated in the 2019/2020 original budget certified for taxes.

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 \$15,663,004 and bank and brokerage firm balances of the Board's deposits amounted to \$15,964,733. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 15,964,733</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2018 the Board has no funds exposed to custodial credit risk.

**OLD TAPPAN 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

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law," (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

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

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

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

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

B. Receivables

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

	<u>General</u>	<u>Total</u>
Receivables:		
Intergovernmental		
State	\$ 7,547	\$ 7,547
Other	8,860	8,860
Less: Allowance for		
Uncollectibles	-	-
Net Total Receivables	<u>\$ 16,407</u>	<u>\$ 16,407</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Unearned Revenue

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

	<u>Total</u>
General Fund	
Unrealized Summer Enrichment Program Fees	\$ 28,303
Special Revenue Fund	
Unencumbered Grant Drawdowns - Local Sources	<u>26,823</u>
	<u>\$ 55,126</u>

D. Capital Assets

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

	<u>Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2018</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 38,600	-	-	\$ 38,600
Total Capital Assets, Not Being Depreciated	<u>38,600</u>	<u>-</u>	<u>-</u>	<u>38,600</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	16,148,174	\$ 4,624		16,152,798
Site Improvements	85,559	359,469		445,028
Machinery and Equipment	<u>587,210</u>	<u>321,046</u>	\$ (75,030)	<u>833,226</u>
Total Capital Assets Being Depreciated	<u>16,820,943</u>	<u>685,139</u>	<u>(75,030)</u>	<u>17,431,052</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(8,519,496)	(1,274,005)		(9,793,501)
Site Improvements	(85,559)			(85,559)
Machinery and Equipment	<u>(443,691)</u>	<u>(62,963)</u>	<u>71,733</u>	<u>(434,921)</u>
Total Accumulated Depreciation	<u>(9,048,746)</u>	<u>(1,336,968)</u>	<u>71,733</u>	<u>(10,313,981)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,772,197</u>	<u>(651,829)</u>	<u>(3,297)</u>	<u>7,117,071</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,810,797</u>	<u>\$ (651,829)</u>	<u>\$ (3,297)</u>	<u>\$ 7,155,671</u>

**OLD TAPPAN 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)

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

Governmental Activities:

Instruction	
Regular	\$ 17,977
Total Instruction	<u>17,977</u>
Support Services	
Student and Instruction Related Services	1,811
General Administration	29,449
School Administration	3,858
Plant Operations and Maintenance	<u>1,283,873</u>
Total Support Services	<u>1,318,991</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,336,968</u>

E. Long-Term Debt

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)	\$ 52,321,575
Less: Net Debt	<u>-</u>
Remaining Borrowing Power	<u>\$ 52,321,575</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. 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 <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2018</u>	Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 825,000		\$ 825,000	-	
Add:					
Unamortized Premiums	<u>342</u>	<u>-</u>	<u>342</u>	<u>-</u>	<u>-</u>
Sub-Total Bonds Payable	825,342	-	825,342	-	-
Compensated Absences	40,706		25,635	\$ 15,071	-
Net Pension Liability	<u>2,461,789</u>	<u>-</u>	<u>366,743</u>	<u>2,095,046</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 3,327,837</u>	<u>\$ -</u>	<u>\$ 1,217,720</u>	<u>\$ 2,110,117</u>	<u>\$ -</u>

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

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). The Group is a risk sharing public entity pool, established for the purpose of insuring against various risks.

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

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

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

NESBIG provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the 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.

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

Fiscal Year Ended <u>June 30,</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 11,862	\$ 15,842	\$ 615,138
2017	10,902	5,536	617,139
2016	10,266	15,667	610,997

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.

**OLD TAPPAN 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 (ERD) 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.

**OLD TAPPAN 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.

**OLD TAPPAN 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.

**OLD TAPPAN 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.

**OLD TAPPAN 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 <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2018	\$ 83,375	\$ 886,347	\$ 14,975
2017	73,843	672,870	12,909
2016	113,747	488,619	8,173

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$593 and \$141, respectively for PERS and the State contributed \$585 and \$694, 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 \$426,077 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.

**OLD TAPPAN 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 \$2,095,046 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 .00899 percent, which was an increase of .00068 percent from its proportionate share measured as of June 30, 2016 of .00831 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$150,118 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	\$ 49,331	
Changes of Assumptions	422,080	\$ 420,532
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	14,266	
Changes in Proportion and Differences Between Board Contributions and Proportionate Share of Contributions	<u>343,323</u>	<u>835,354</u>
Total	<u>\$ 829,000</u>	<u>\$ 1,255,886</u>

**OLD TAPPAN 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)

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	\$ (89,353)
2020	(46,073)
2021	(123,814)
2022	(141,496)
2023	(26,150)
Thereafter	-
	<u>\$ (426,886)</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:

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.

**OLD TAPPAN 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%

**OLD TAPPAN 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>\$ 2,599,047</u>	<u>\$ 2,095,046</u>	<u>\$ 1,675,151</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.

**OLD TAPPAN 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)

Teachers Pension and Annuity Fund (TPAF)

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

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

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

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$2,794,104 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the District is \$40,333,549. 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 .05982 percent, which was a decrease of .00121 percent from its proportionate share measured as of June 30, 2016 of .06103 percent.

**OLD TAPPAN 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.

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.

**OLD TAPPAN 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)

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%

**OLD TAPPAN 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>\$ 47,917,521</u>	<u>\$ 40,333,549</u>	<u>\$ 34,085,840</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.

**OLD TAPPAN 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.

**OLD TAPPAN 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 and contributing employers 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.

**OLD TAPPAN 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 \$572,472, \$560,654 and \$581,810, 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.

**OLD TAPPAN 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 \$1,496,809. 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 \$23,678,278. 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 .04414 percent, which was an increase of .00011 percent from its proportionate share measured as of June 30, 2016 of .04403 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 and his or her age for PERS.

**OLD TAPPAN 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.

**OLD TAPPAN 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 (State Share 100%)
Balance, June 30, 2016 Measurement Date	\$ <u>25,465,036</u>
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 1,076,403
Interest on the Total OPEB Liability	748,314
Changes of Assumptions	(3,128,243)
Gross Benefit Payments	(501,706)
Contributions from the Member	<u>18,474</u>
Net Changes	\$ <u>(1,786,758)</u>
Balance, June 30, 2017 Measurement Date	\$ <u>23,678,278</u>

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

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

Sensitivity of OPEB Liability

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

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ <u>28,107,824</u>	\$ <u>23,678,278</u>	\$ <u>20,164,720</u>

**OLD TAPPAN 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%</u> <u>Decrease</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability (School Retirees)	\$ <u>19,473,095</u>	\$ <u>23,678,278</u>	\$ <u>29,262,712</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.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Property Tax Levy	\$ 13,775,428		\$ 13,775,428	\$ 13,775,428	
Tuition				70,386	\$ 70,386
Interest				39,548	39,548
Interest on Capital Reserve	500		500	44,728	44,228
Miscellaneous	52,500	-	52,500	13,851	(38,649)
Total Local Sources	13,828,428	-	13,828,428	13,943,941	115,513
State Sources					
Special Education Aid	325,509		325,509	345,089	19,580
Transportation Aid	19,500		19,500	19,500	
Security Aid	12,912		12,912	12,912	
PARCC Readiness Aid	7,560		7,560	7,560	
Per Pupil Growth Aid	7,560		7,560	7,560	
Professional Learning Community Aid	7,060		7,060	7,060	
Extraordinary Aid				232,923	232,923
Non-Public Transportation Aid				7,540	7,540
Lead Testing for Schools Aid				2,340	2,340
On-behalf TPAF					
Pension Contributions - Normal Cost				865,347	865,347
Pension Contributions - NCGI				21,000	21,000
Post Retirement Medical Cont.				572,472	572,472
Long-Term Disability Insurance Cont.				585	585
Social Security Payments	-	-	-	426,077	426,077
Total State Sources	380,101	-	380,101	2,527,965	2,147,864
Total Revenues	14,208,529	-	14,208,529	16,471,906	2,263,377
EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	292,137	\$ 25,186	317,323	308,549	8,774
Grades 1-5	2,329,764	(99,983)	2,229,781	2,197,351	32,430
Grades 6-8	1,645,621	66,435	1,712,056	1,669,084	42,972
Regular Program - Home Instruction					
Salaries of Teachers	7,500		7,500	2,188	5,312
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	118,639	8,362	127,001	98,503	28,498
Purchased Professional - Educational Services	2,100	415	2,515	2,515	-
Purchased Technical Services	9,090	(415)	8,675	5,509	3,166
General Supplies	186,907	(163)	186,744	190,937	(4,193)
Textbooks	26,800	9,716	36,516	34,498	2,018
Other Objects	660	-	660	209	451
Total Regular Programs	4,619,218	9,553	4,628,771	4,509,343	119,428
Special Education					
Auditory Impairments					
Purchased Professional-Educational Services	115,872	-	115,872	109,079	6,793
Total Auditory Impairments	115,872	-	115,872	109,079	6,793
Multiple Disabilities					
Salaries of Teachers		53,080	53,080	49,317	3,763
Other Salaries for Instruction		277,986	277,986	105,835	172,151
General Supplies		45,080	45,080	14,476	30,604
Other Objects	-	500	500	91	409
Total Multiple Disabilities	-	376,646	376,646	169,719	206,927

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

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT (Continued)					
Special Education (Continued)					
Resource Room / Resource Center					
Salaries of Teachers	\$ 781,324	-	\$ 781,324	\$ 552,474	\$ 228,850
General Supplies	2,900		2,900	35	2,865
Textbooks	850	-	850	-	850
Total Resource Room / Resource Center	785,074	-	785,074	552,509	232,565
Autism					
Salaries of Teachers	83,080	\$ (83,080)			-
Other Salaries for Instruction	277,986	(277,986)			-
General Supplies	2,000	(2,000)	-	-	-
Total Autism	363,066	(363,066)	-	-	-
Total Special Education	1,264,012	13,580	1,277,592	831,307	446,285
Basic Skills/Remedial					
Salaries of Teachers	46,112	-	46,112	46,112	-
Total Basic Skills/Remedial	46,112	-	46,112	46,112	-
Bilingual Education					
Salaries of Teachers	58,058	70	58,128	58,128	
General Supplies	100	-	100	75	25
Total Bilingual Education	58,158	70	58,228	58,203	25
School Sponsored Co/Extra Curricular Activities					
Salaries	59,500	5,930	65,430	53,495	11,935
Supplies and Materials	5,000	-	5,000		5,000
Other Objects	24,550	-	24,550	11,672	12,878
Total School Sponsored Co/Extra Curricular Activities	89,050	5,930	94,980	65,167	29,813
Summer School - Instruction					
Salaries	45,000	(186)	44,814	31,167	13,647
General Supplies	888	186	1,074	1,074	-
Total Summer School - Instruction	45,888	-	45,888	32,241	13,647
Total Instruction	6,122,438	29,133	6,151,571	5,542,373	609,198
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State - Special	1,647,670	(2,245)	1,645,425	935,855	709,570
Tuition to CSSD and Regional Day Schools		2,245	2,245	2,245	
Tuition to Priv. Sch. for the Handicap Within the State	413,647	92,074	505,721	176,237	329,484
Total Undistributed Expenditures - Instruction	2,061,317	92,074	2,153,391	1,114,337	1,039,054
Attendance & Social Work					
Purchased Prof. and Tech Service	17,600	-	17,600	17,288	312
Total Attendance & Social Work	17,600	-	17,600	17,288	312

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 184,524	\$ (678)	\$ 183,846	\$ 182,817	\$ 1,029
Purchased Professional and Technical Services	16,000	8,984	24,984	24,984	-
Supplies and Materials	7,000	-	7,000	3,168	3,832
Other Objects	1,350	(306)	1,044	-	1,044
Total Health Services	208,874	8,000	216,874	210,969	5,905
Speech, OT, PT & Related Services					
Salaries	99,326	(1,900)	97,426	86,883	10,543
Purchased Professional and Technical Services	-	1,900	1,900	1,900	-
Supplies and Materials	100	-	100	-	100
Total Speech, OT, PT & Related Services	99,426	-	99,426	88,783	10,643
Other Support Services - Extra Services					
Salaries	356,109	-	356,109	205,200	150,909
Total Other Support Services - Extra Services	356,109	-	356,109	205,200	150,909
Guidance					
Salaries of Other Professional Staff	85,031	28,000	113,031	107,159	5,872
Other Purchased Services	4,700	-	4,700	1,662	3,038
Supplies and Materials	9,000	-	9,000	274	8,726
Total Guidance	98,731	28,000	126,731	109,095	17,636
Child Study Team					
Salaries of Other Professional Staff	284,182	(64,482)	219,700	186,282	33,418
Salaries of Secretarial and Clerical Assistants	48,406	-	48,406	42,556	5,850
Purchased Professional - Educational Svcs.	152,500	(37,000)	115,500	115,442	58
Other Purchased Professional and Tech. Services	14,000	(1,200)	12,800	11,482	1,318
Miscellaneous Purchased Services	2,500	-	2,500	1,197	1,303
Supplies and Materials	5,000	600	5,600	5,584	16
Other Objects	4,000	1,600	5,600	5,590	10
Total Child Study Team	510,588	(100,482)	410,106	368,133	41,973
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	177,721	60,000	237,721	232,049	5,672
Other Purchased Services	40,487	-	40,487	36,162	4,325
Other Objects	2,000	-	2,000	891	1,109
Total Improvement of Instructional Services	220,208	60,000	280,208	269,102	11,106
Educational Media Services/School Library					
Salaries	136,706	339	137,045	137,045	-
Salaries of Technology Coordinators	81,970	4,144	86,114	86,114	-
Supplies and Materials	11,100	-	11,100	8,938	2,162
Total Educational Media Serv./School Library	229,776	4,483	234,259	232,097	2,162
Staff Training Services					
Purchased Professional/Educational Services	47,607	-	47,607	33,198	14,409
Other Purchased Services	2,900	-	2,900	1,422	1,478
Total Staff Training Services	50,507	-	50,507	34,620	15,887

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT (Continued)					
Undistributed Expenditures (Continued)					
Support Services General Administration					
Salaries	\$ 221,349	-	\$ 221,349	\$ 215,625	\$ 5,724
Legal Services	73,000	-	73,000	30,921	42,079
Audit Fees	28,000	-	28,000	24,788	3,212
Architectural/Engineering Services	5,000	-	5,000		5,000
Purchased Technical Services	5,000	-	5,000		5,000
Communications/Telephone	40,795	-	40,795	24,336	16,459
Miscellaneous Purchased Services	54,814	-	54,814	27,156	27,658
General Supplies	5,000	-	5,000	3,290	1,710
Miscellaneous Expenditures	845	-	845	398	447
BOE Membership Dues and Fees	10,212	-	10,212	6,193	4,019
Total Support Services General Administration	444,015	-	444,015	332,707	111,308
Support Services School Administration					
Salaries of Principal/Asst. Principals/Program Dir.	274,501	-	274,501	259,809	14,692
Salaries of Secretarial and Clerical Assistants	98,051	-	98,051	96,495	1,556
Purchased Professional and Technical Services	3,850	-	3,850	425	3,425
Other Purchased Services	5,900	\$ (348)	5,552	884	4,668
Supplies and Materials	4,000	348	4,348	3,587	761
Total Support Services School Administration	386,302	-	386,302	361,200	25,102
Central Services					
Salaries	340,098	-	340,098	319,353	20,745
Miscellaneous Purchased Services	34,350	860	35,210	25,122	10,088
Supplies and Materials	5,500	(860)	4,640	327	4,313
Total Central Services	379,948	-	379,948	344,802	35,146
Admin. Info Technology					
Salaries	4,192	-	4,192	4,192	
Purchased Professional Services	5,655	315	5,970	5,970	
Other Purchased Services	1,850	(315)	1,535		1,535
Supplies and Materials	7,600	-	7,600	6,666	934
Total Admin. Info Technology	19,297	-	19,297	16,828	2,469
Required Maintenance for School Facilities					
Salaries	149,564	1,000	150,564	149,726	838
Cleaning, Repair and Maintenance	126,000	62,967	188,967	128,800	60,167
General Supplies	20,000	3,000	23,000	21,265	1,735
Other Objects	500	-	500	377	123
Total Required Maintenance for School Facilities	296,064	66,967	363,031	300,168	62,863
Custodial Services					
Salaries	142,976	-	142,976	135,766	7,210
Purchased Prof. And Technical Serv.	30,000	-	30,000	7,875	22,125
Cleaning, Repair and Maint. Serv.	197,000	-	197,000	114,626	82,374
Other Purchased Property Services	18,500	-	18,500	15,904	2,596
Insurance	126,851	-	126,851	79,033	47,818
Miscellaneous Purchased Services	7,225	-	7,225	2,625	4,600
General Supplies	35,000	-	35,000	14,567	20,433
Energy (Natural Gas)	213,092	-	213,092	67,238	145,854
Energy (Electricity)	170,946	-	170,946	111,278	59,668
Energy (Gasoline)	2,000	-	2,000	1,043	957
Other Objects	1,500	-	1,500	877	623
Total Custodial Services	945,090	-	945,090	550,832	394,258

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

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT(Continued)					
Undistributed Expenditures (Continued)					
Care & Upkeep of Grounds					
Cleaning, Repair, and Maintenance Services	\$ 25,000		\$ 25,000	\$ 20,117	\$ 4,883
General Supplies	7,500	-	7,500	6,483	1,017
Total Care & Upkeep of Grounds	32,500	-	32,500	26,600	5,900
Security					
Cleaning, Repair, and Maintenance Services	30,700	-	30,700	12,036	18,664
Total Security	30,700	-	30,700	12,036	18,664
Student Transportation Services					
Contracted Services (Between Home and School)- Vendors					
	80,914		80,914	51,791	29,123
Contracted Services (Spl. Ed. Students) - Joint Agreements					
	216,861		216,861	129,236	87,625
Contract Serv. - Aid in Lieu Pymts - NonPub	38,760	-	38,760	27,461	11,299
Total Student Transportation Services	336,535	-	336,535	208,488	128,047
Unallocated Benefits - Employee Benefits					
Social Security Contributions	135,508	\$ 5,837	141,345	141,345	
Other Retirement Contributions - PERS	124,011	(5,837)	118,174	98,943	19,231
Workers Compensation	106,556	(500)	106,056	48,838	57,218
Health Benefits	2,658,012	(190,903)	2,467,109	1,149,200	1,317,909
Tuition Reimbursement	1,500	1,000	2,500	2,500	-
Other Employee Benefits	7,500	158,090	165,590	164,595	995
Unused Sick Payment to Terminated/Retired Staff	-	32,312	32,312	32,312	-
Total Unallocated Benefits - Employee Benefits	3,033,087	(1)	3,033,086	1,637,733	1,395,353
On-Behalf TPAF (Non-Budget)					
Pension Contributions - Normal Cost				865,347	(865,347)
Pension Contributions NCGI				21,000	(21,000)
Post Retirement Medical Cont.				572,472	(572,472)
Long-Term Disability Insurance Cont.				585	(585)
Social Security Payments	-	-	-	426,077	(426,077)
Total On-Behalf Payments	-	-	-	1,885,481	(1,885,481)
Total Undistributed Expenditures	9,756,674	159,041	9,915,715	8,326,499	1,589,216
Total Current Expenditures	15,879,112	188,174	16,067,286	13,868,872	2,198,414
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	500	-	500	-	500
Total Interest	500	-	500	-	500
Equipment					
Instruction					
Grades 6-8		10,060	10,060	-	10,060
Undistributed Expenditures					
General Administration		500	500		500
School Administration		6,396	6,396	3,098	3,298
Operations & Maintenance of Plant Services	-	7,973	7,973	7,973	-
Total Equipment	-	24,929	24,929	11,071	13,858

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

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CAPITAL OUTLAY (Continued)					
Facilities Acquisition and Construction Serv.					
Legal Services	\$ 13,875	-	\$ 13,875	\$ 3,525	\$ 10,350
Architectural/Engineering Services	171,125	-	171,125	95,210	75,915
Other Purchased Prof. and Tech. Services	185,000	-	185,000	53,405	131,595
Construction Services	555,000	-	555,000	520,806	34,194
Assessment for Debt Service on SDA	1,122	-	1,122	1,122	-
Total Facilities Acquisition and Construction Serv.	<u>926,122</u>	<u>-</u>	<u>926,122</u>	<u>674,068</u>	<u>252,054</u>
Total Capital Outlay	<u>926,622</u>	<u>\$ 24,929</u>	<u>951,551</u>	<u>685,139</u>	<u>266,412</u>
Total Expenditures	<u>16,805,734</u>	<u>213,103</u>	<u>17,018,837</u>	<u>14,554,011</u>	<u>2,464,826</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(2,597,205)	(213,103)	(2,810,308)	1,917,895	4,728,203
Fund Balance, Beginning of Year	<u>13,223,841</u>	<u>-</u>	<u>13,223,841</u>	<u>13,223,841</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 10,626,636</u>	<u>\$ (213,103)</u>	<u>\$ 10,413,533</u>	<u>\$ 15,141,736</u>	<u>\$ 4,728,203</u>
Recapitulation of Fund Balance					
Restricted					
Capital Reserve				\$ 10,301,594	
Maintenance Reserve				715,950	
Emergency Reserve				250,000	
Excess Surplus				1,903,621	
Excess Surplus Designated for Subsequent Year's Budget				1,476,737	
Unassigned				<u>493,834</u>	
Fund Balance (Budgetary Basis)				15,141,736	
Less:					
State Aid not Recognized on GAAP Basis				<u>(271,828)</u>	
Fund Balance (GAAP Basis)				<u>\$ 14,869,908</u>	

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

	<u>Modified Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Federal	\$ 100,000	\$ 53,706	\$ 153,706	\$ 153,706	
Local Sources					
Miscellaneous	-	28,890	28,890	3,308	\$ (25,582)
Total Revenues	<u>100,000</u>	<u>82,596</u>	<u>182,596</u>	<u>157,014</u>	<u>(25,582)</u>
EXPENDITURES					
Instruction					
Tuition	100,000	38,217	138,217	138,217	-
Purchased Prof. & Educ. Services		4,900	4,900	4,900	-
General Supplies	-	37,567	37,567	11,988	25,579
Total Expenditures	<u>100,000</u>	<u>80,684</u>	<u>180,684</u>	<u>155,105</u>	<u>25,579</u>
Support Services					
Other Objects	-	1,912	1,912	1,909	3
Total Support Services	<u>-</u>	<u>1,912</u>	<u>1,912</u>	<u>1,909</u>	<u>3</u>
Total Expenditures	<u>100,000</u>	<u>82,596</u>	<u>182,596</u>	<u>157,014</u>	<u>25,582</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>

**OLD TAPPAN BOARD OF EDUCATION
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 Funds are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

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

		General Fund		Special Revenue Fund
Sources/inflows of resources				
Actual Revenues (budgetary basis)	(C-1)	\$ 16,471,906	(C-2)	\$ 157,014
Difference - Budget to GAAP:				
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements.(current year)		(271,828)		
State Aid payments recognized for GAAP statements, not recognized for Budgetary purposes.(prior year)		<u>294,807</u>		<u>-</u>
 Total Revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 (B-2)	 <u>\$ 16,494,885</u>	 (B-2)	 <u>\$ 157,014</u>
 Uses/outflows of resources				
Actual Expenditures (budgetary basis)	(C-1)	\$ <u>14,554,011</u>	(C-2)	\$ <u>157,014</u>
 Total Expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 (B-2)	 <u>\$ 14,554,011</u>	 (B-2)	 <u>\$ 157,014</u>

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

OLD TAPPAN 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)	.00899 %	0.00831%	0.01323%	0.01552%	0.01247%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,095,046	\$ 2,461,789	\$ 2,969,987	\$ 2,905,004	\$ 2,382,861
District's Covered-Employee Payroll	\$ 592,564	\$ 619,654	\$ 542,412	\$ 875,957	\$ 945,643
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	353.56%	397.28%	547.55%	331.64%	251.98%
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.

**OLD TAPPAN 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	\$ 83,375	\$ 73,843	\$ 113,747	\$ 127,911	\$ 93,943
Contributions in Relation to the Contractually Required Contribution	<u>83,375</u>	<u>73,843</u>	<u>113,747</u>	<u>127,911</u>	<u>93,943</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 592,564	\$ 619,654	\$ 542,412	\$ 875,957	\$ 945,643
Contributions as a Percentage of Covered-Employee Payroll	14.07%	11.92%	20.97%	14.60%	9.93%

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.

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

Teachers Pension and Annuity Fund

Last Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>40,333,549</u>	<u>48,009,054</u>	<u>37,301,205</u>	<u>31,197,728</u>	<u>30,777,544</u>
Total	<u>\$ 40,333,549</u>	<u>\$ 48,009,054</u>	<u>\$ 37,301,205</u>	<u>\$31,197,728</u>	<u>\$30,777,544</u>
District's Covered-Employee Payroll	\$ 6,166,549	\$ 5,953,450	\$ 6,115,101	\$ 5,881,469	\$ 5,959,323
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.

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

Change of Benefit Terms: None.

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

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

Postemployment Health Benefit Plan

Last One Fiscal Year*

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 1,076,403
Interest on the Total OPEB Liability	748,314
Changes of Assumptions	(3,128,243)
Gross Benefit Payments	(501,706)
Contributions from the Member	<u>18,474</u>
Net Change in Total OPEB Liability	(1,786,758)
Total OPEB Liability - Beginning	<u>25,465,036</u>
Total OPEB Liability - Ending	<u>\$ 23,678,278</u>
District's Proportionate Share of OPEB Liability	\$ -
State's Proportionate Share of OPEB Liability	<u>23,678,278</u>
Total OPEB Liability - Ending	<u>\$ 23,678,278</u>
District's Covered-Employee Payroll	<u>\$ 6,759,113</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	 0%

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

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

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

**OLD TAPPAN 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.

SPECIAL REVENUE FUND

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

	<u>IDEA Basic</u>	<u>IDEA Preschool</u>	<u>ESEA III</u>	<u>ESEA III Immigrant</u>	<u>ESEA IV</u>	<u>BCUA Recycling Grant</u>	<u>Private Donation</u>	<u>Total</u>
REVENUES								
Intergovernmental								
Federal	\$ 125,750	\$ 12,467	\$ 3,644	\$ 2,045	\$ 9,800			\$ 153,706
Local Sources	-	-	-	-	-	\$ 1,909	\$ 1,399	3,308
Total Revenues	<u>\$ 125,750</u>	<u>\$ 12,467</u>	<u>\$ 3,644</u>	<u>\$ 2,045</u>	<u>\$ 9,800</u>	<u>\$ 1,909</u>	<u>\$ 1,399</u>	<u>\$ 157,014</u>
EXPENDITURES								
Instruction								
Tuition	\$ 125,750	\$ 12,467						\$ 138,217
Purchased Professional - Educational Services					\$ 4,900			4,900
General Supplies	-	-	\$ 3,644	\$ 2,045	4,900	-	\$ 1,399	11,988
Total Instruction	<u>125,750</u>	<u>12,467</u>	<u>3,644</u>	<u>2,045</u>	<u>9,800</u>	<u>-</u>	<u>1,399</u>	<u>155,105</u>
Support Services								
Other Objects	-	-	-	-	-	\$ 1,909	-	1,909
Total Support Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,909</u>	<u>-</u>	<u>1,909</u>
Total Expenditures	<u>\$ 125,750</u>	<u>\$ 12,467</u>	<u>\$ 3,644</u>	<u>\$ 2,045</u>	<u>\$ 9,800</u>	<u>\$ 1,909</u>	<u>\$ 1,399</u>	<u>\$ 157,014</u>

ENTERPRISE FUND

**OLD TAPPAN BOARD OF EDUCATION
ENTERPRISE FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

This Statement is Not Applicable
Financial Statements are Present on Exhibit B-4

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

This Statement is Not Applicable
Financial Statements are Present on Exhibit B-5

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

This Statement is Not Applicable
Financial Statements are Present on Exhibit B-6

FIDUCIARY FUNDS

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

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 42,096	\$ 62,232	\$ 104,328
Total Assets	<u>\$ 42,096</u>	<u>\$ 62,232</u>	<u>\$ 104,328</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 60,244	\$ 60,244
Accrued Salaries and Wages		1,988	1,988
Due to Student Groups	<u>\$ 42,096</u>	<u>-</u>	<u>42,096</u>
Total Liabilities	<u>\$ 42,096</u>	<u>\$ 62,232</u>	<u>\$ 104,328</u>

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

NOT APPLICABLE

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

	<u>Balance, July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2018</u>
T. Baldwin Demarest School	\$ 6,106	\$ 12,142	\$ 13,143	\$ 5,105
Charles DeWolf School	52,161	91,256	110,001	33,416
Athletics	1,279	3,008	3,615	672
Field Trips	2,900	17	14	2,903
	<u>2,900</u>	<u>17</u>	<u>14</u>	<u>2,903</u>
Total All Schools	<u>\$ 62,446</u>	<u>\$ 106,423</u>	<u>\$ 126,773</u>	<u>\$ 42,096</u>

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

	Balance, July 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2018</u>
ASSETS				
Cash and Cash Equivalents	\$ 63,749	\$ 8,566,840	\$ 8,568,357	\$ 62,232
LIABILITIES				
Payroll Deductions and Withholdings	\$ 61,483	\$ 3,346,303	\$ 3,347,542	\$ 60,244
Accrued Salaries and Wages	2,266	4,825,631	4,825,909	1,988
Interfund Payable	-	394,906	394,906	-
Total	<u>\$ 63,749</u>	<u>\$ 8,566,840</u>	<u>\$ 8,568,357</u>	<u>\$ 62,232</u>

LONG-TERM DEBT

OLD TAPPAN BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Balance, July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
Refunding Bonds	9/1/2004	\$ 9,085,000	\$ 825,000	\$ -	\$ 825,000	\$ -
			<u>\$ 825,000</u>	<u>\$ -</u>	<u>\$ 825,000</u>	<u>\$ -</u>

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

NOT APPLICABLE

**OLD TAPPAN BOARD OF EDUCATION
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 693,577		\$ 693,577	\$ 693,577	
State Sources					
Debt Service Aid	<u>163,598</u>	<u>-</u>	<u>163,598</u>	<u>163,598</u>	<u>-</u>
Total Revenues	<u>857,175</u>	<u>-</u>	<u>857,175</u>	<u>857,175</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	825,000		825,000	825,000	
Interest	<u>32,175</u>	<u>-</u>	<u>32,175</u>	<u>32,175</u>	<u>-</u>
Total Expenditures	<u>857,175</u>	<u>-</u>	<u>857,175</u>	<u>857,175</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION

This part of the Old Tappan 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.

Note:

GASB requires that ten years of statistical data be presented. However, since the District implemented GASB No. 44 in 2005/06 only nine years of information are available. Each year thereafter, an additional year's data will be included until ten years of data is present.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net Investment in Capital Assets	\$ 3,518,495	\$ 3,868,726	\$ 4,217,463	\$ 4,604,779	\$ 5,491,310	\$ 6,673,486	\$ 7,091,287	\$ 7,990,048	\$ 6,990,013	\$ 7,155,671
Restricted	575,023	1,550,449	1,964,647	3,264,931	3,380,693	4,900,969	6,782,473	7,918,138	9,595,761	11,267,544
Unrestricted	4,727,904	4,316,361	4,500,728	4,483,781	5,134,693	1,659,788	1,346,451	1,268,170	695,848	1,065,361
Total Governmental Activities Net Position	\$ 8,821,422	\$ 9,735,536	\$ 10,682,838	\$ 12,353,491	\$ 14,006,696	\$ 13,234,243	\$ 15,220,211	\$ 17,176,356	\$ 17,281,622	\$ 19,488,576
Business-Type Activities										
Unrestricted	\$ 1,305	\$ 1,933	\$ 2,046	\$ 1,914	\$ 3,103	\$ 1,631	\$ 1,385	\$ 1,021	\$ 1,024	\$ 1,030
Total Business-Type Activities Net Position	\$ 1,305	\$ 1,933	\$ 2,046	\$ 1,914	\$ 3,103	\$ 1,631	\$ 1,385	\$ 1,021	\$ 1,024	\$ 1,030
District-Wide										
Net Investment in Capital Assets	\$ 3,518,495	\$ 3,868,726	\$ 4,217,463	\$ 4,604,779	\$ 5,491,310	\$ 6,673,486	\$ 7,091,287	\$ 7,990,048	\$ 6,990,013	\$ 7,155,671
Restricted	575,023	1,550,449	1,964,647	3,264,931	3,380,693	4,900,969	6,782,473	7,918,138	9,595,761	11,267,544
Unrestricted	4,729,209	4,318,294	4,502,774	4,485,695	5,137,796	1,661,419	1,347,836	1,269,191	696,872	1,066,391
Total District Net Position	\$ 8,822,727	\$ 9,737,469	\$ 10,684,884	\$ 12,355,405	\$ 14,009,799	\$ 13,235,874	\$ 15,221,596	\$ 17,177,377	\$ 17,282,646	\$ 19,489,606

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

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

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 5,189,620	\$ 5,609,260	\$ 5,511,489	\$ 5,576,329	\$ 5,916,021	\$ 5,784,320	\$ 6,875,938	\$ 7,209,373	\$ 8,429,741	\$ 8,339,764
Special Education	2,434,167	2,637,656	2,687,933	2,243,385	2,784,323	3,022,334	2,751,863	3,066,946	3,146,058	2,410,921
Other Instruction	243,594	249,692	261,281	279,707	305,404	362,426	451,438	451,500	274,139	524,962
School Sponsored Activities And Athletics	55,817	65,660	65,716	72,974	81,322	77,137	82,392	78,758	78,715	89,336
Support Services:										
Student & Instruction Related Services	1,311,367	1,404,264	1,481,700	1,682,628	1,359,596	1,412,542	1,745,595	1,864,892	2,635,495	2,526,941
General Administration Services	465,156	517,269	502,256	467,978	492,186	343,404	536,755	459,534	440,462	459,575
School Administration Services	494,783	526,291	487,340	495,023	541,712	513,981	568,073	611,810	650,381	641,624
Business / Central Services	447,149	479,621	441,966	438,393	438,455	454,420	521,438	540,173	579,745	597,344
Plant Operations And Maintenance	1,367,096	1,293,711	1,178,669	1,166,711	1,197,727	1,267,652	1,359,244	1,500,750	2,258,965	2,302,493
Pupil Transportation	204,732	234,576	202,455	224,360	258,150	264,216	216,934	229,232	258,510	208,488
Interest On Long-Term Debt	336,137	307,043	275,696	244,567	204,423	171,225	137,239	102,410	66,462	29,469
Total Governmental Activities Expenses	12,549,618	13,325,043	13,096,501	12,892,055	13,579,319	13,673,657	15,246,909	16,115,378	18,818,673	18,130,917
Business-Type Activities:										
Food Service	18,525	8,249	9,276	8,116	5,901	6,547	5,816	5,840	-	-
Total Business-Type Activities Expense	18,525	8,249	9,276	8,116	5,901	6,547	5,816	5,840	-	-
Total District Expenses	\$ 12,568,143	\$ 13,333,292	\$ 13,105,777	\$ 12,900,171	\$ 13,585,220	\$ 13,680,204	\$ 15,252,725	\$ 16,121,218	\$ 18,818,673	\$ 18,130,917
Program Revenues										
Governmental Activities:										
Charges For Services:										
Regular Instruction	\$ 38,374	\$ 21,702	\$ 15,061	\$ 8,235	\$ 2,980	\$ 14,161	\$ 27,997	\$ 19,694	\$ 34,440	\$ 70,386
Other Instruction	-	-	2,385	-	-	-	-	-	-	-
Operating Grants And Contributions	1,514,970	1,641,706	1,341,317	1,619,822	2,066,389	1,769,941	3,379,482	3,923,145	5,286,501	5,533,101
Capital Grants And Contributions	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues	1,553,344	1,663,408	1,358,763	1,628,057	2,069,369	1,784,102	3,407,479	3,942,839	5,320,941	5,603,487
Business-Type Activities:										
Charges For Services:										
Food Service	5,756	5,104	5,824	5,070	4,614	2,967	3,685	3,919	-	-
Operating Grants And Contributions	4,920	3,737	3,519	2,892	2,453	2,083	1,872	1,544	-	-
Total Business Type Activities Program Revenues	10,676	8,841	9,343	7,962	7,067	5,050	5,557	5,463	-	-
Total District Program Revenues	\$ 1,564,020	\$ 1,672,249	\$ 1,368,106	\$ 1,636,019	\$ 2,076,436	\$ 1,789,152	\$ 3,413,036	\$ 3,948,302	\$ 5,320,941	\$ 5,603,487
Net (Expense)/Revenue										
Governmental Activities	\$ (10,996,274)	\$ (11,661,635)	\$ (11,737,738)	\$ (11,263,998)	\$ (11,509,950)	\$ (11,889,555)	\$ (11,839,430)	\$ (12,172,539)	\$ (13,497,732)	\$ (12,527,430)
Business-Type Activities	(7,849)	592	67	(154)	1,166	(1,497)	(259)	(377)	-	-
Total District-Wide Net Expense	\$ (11,004,123)	\$ (11,661,043)	\$ (11,737,671)	\$ (11,264,152)	\$ (11,508,784)	\$ (11,891,052)	\$ (11,839,689)	\$ (12,172,916)	\$ (13,497,732)	\$ (12,527,430)

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 11,206,969	\$ 11,525,063	\$ 11,674,488	\$ 11,907,978	\$ 12,146,138	\$ 12,487,161	\$ 12,856,212	\$ 13,164,472	\$ 13,505,322	\$ 13,775,428
Taxes Levied For Debt Service	703,295	720,951	749,211	764,384	756,928	748,158	738,347	731,518	731,542	693,577
Unrestricted Grants And Contributions	22,454	38,377	15,258	19,578	1,753	-	6,919	7,582	7,560	6,951
State Aid Restricted for Debt Service	203,646	208,760	176,721	180,299	178,541	176,472	174,158	172,547	172,553	163,598
Investment Earnings	65,395	50,915	55,274	29,098	44,567	45,710	35,148	41,726	57,084	84,276
Miscellaneous Income	17,016	31,683	14,088	33,314	35,228	42,462	14,614	10,839	4,619	13,851
Other Items										
Loss on Disposal of Capital Assets	-	-	-	-	-	-	-	-	-	(3,297)
Total Governmental Activities	<u>12,218,775</u>	<u>12,575,749</u>	<u>12,685,040</u>	<u>12,934,651</u>	<u>13,163,155</u>	<u>13,499,963</u>	<u>13,825,398</u>	<u>14,128,684</u>	<u>14,478,680</u>	<u>14,734,384</u>
Business-Type Activities:										
Investment Earnings	92	36	46	22	23	25	13	13	3	6
Total Business-Type Activities	<u>92</u>	<u>36</u>	<u>46</u>	<u>22</u>	<u>23</u>	<u>25</u>	<u>13</u>	<u>13</u>	<u>3</u>	<u>6</u>
Total District-Wide	<u>\$ 12,218,867</u>	<u>\$ 12,575,785</u>	<u>\$ 12,685,086</u>	<u>\$ 12,934,673</u>	<u>\$ 13,163,178</u>	<u>\$ 13,499,988</u>	<u>\$ 13,825,411</u>	<u>\$ 14,128,697</u>	<u>\$ 14,478,683</u>	<u>\$ 14,734,390</u>
Change in Net Position										
Governmental Activities	\$ 1,222,501	\$ 914,114	\$ 947,302	\$ 1,670,653	\$ 1,653,205	\$ 1,610,408	\$ 1,985,968	\$ 1,956,145	\$ 980,948	\$ 2,206,954
Business-Type Activities	(7,757)	628	113	(132)	1,189	(1,472)	(246)	(364)	3	6
Total District	<u>\$ 1,214,744</u>	<u>\$ 914,742</u>	<u>\$ 947,415</u>	<u>\$ 1,670,521</u>	<u>\$ 1,654,394</u>	<u>\$ 1,608,936</u>	<u>\$ 1,985,722</u>	<u>\$ 1,955,781</u>	<u>\$ 980,951</u>	<u>\$ 2,206,960</u>

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 5,304,948	\$ 5,841,341								
Unreserved	76,266	113,707								
Restricted			\$ 6,286,638	\$ 7,601,392	\$ 7,460,731	\$ 8,814,114	\$ 10,483,158	\$ 11,319,214	\$ 12,694,703	\$ 14,647,902
Committed					935,741			300,484		
Assigned					3,730					
Unassigned	-	-	263,643	224,558	218,609	227,237	222,363	225,319	234,331	222,006
Total General Fund	\$ 5,381,214	\$ 5,955,048	\$ 6,550,281	\$ 7,825,950	\$ 8,618,811	\$ 9,041,351	\$ 10,705,521	\$ 11,845,017	\$ 12,929,034	\$ 14,869,908
All Other Governmental Funds										
Reserved										
Unreserved	\$ 50,741	\$ 1								
Restricted	-	-	\$ 1	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total All Other Governmental Funds	\$ 50,741	\$ 1	\$ 1	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Beginning with Fiscal Year 2010/11, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax Levy	\$ 11,910,264	\$ 12,246,014	\$ 12,423,699	\$ 12,672,362	\$ 12,903,066	\$ 13,235,319	\$ 13,594,559	\$ 13,895,990	\$ 14,236,864	\$ 14,469,005
Tuition Charges	38,374	21,702	15,061	8,235	2,980	14,161	27,997	19,694	34,440	70,386
Interest Earnings	65,395	50,915	55,274	29,098	44,567	45,710	35,148	41,726	57,084	84,276
Miscellaneous	19,739	36,394	16,846	35,881	39,233	45,512	17,200	12,088	9,029	17,159
State Sources	1,568,816	1,586,494	1,287,359	1,631,742	2,081,122	1,790,795	2,041,279	2,156,169	2,381,091	2,714,542
Federal Sources	169,531	297,638	243,179	183,420	161,556	152,568	157,030	156,901	146,771	153,706
Total Revenue	13,772,119	14,239,157	14,041,418	14,562,738	15,232,524	15,284,065	15,873,213	16,282,568	16,865,279	17,509,074
Expenditures										
Instruction										
Regular Instruction	5,187,697	5,602,493	5,502,747	5,572,432	5,910,509	5,778,808	5,990,133	6,064,353	6,480,722	6,538,228
Special Education Instruction	2,434,167	2,637,656	2,684,893	2,240,345	2,781,283	3,019,294	2,611,350	2,828,365	2,834,703	2,147,406
Other Instruction	243,594	249,692	261,281	279,707	305,404	362,426	392,170	376,432	209,347	467,375
School Sponsored Activities and Athletics	55,817	65,660	65,716	72,974	81,322	77,137	82,392	75,471	78,738	85,504
Support Services:										
Student and Inst. Related Services	1,305,717	1,398,614	1,453,964	1,654,863	1,359,346	1,412,542	1,567,031	1,624,441	2,224,314	2,104,748
General Administration Services	465,156	506,504	470,274	476,804	492,186	343,404	424,922	442,248	439,862	414,681
School Administrative Services	494,783	526,291	487,344	495,023	509,066	508,584	504,433	520,872	518,936	545,996
Business / Central Services	445,087	477,559	440,180	436,607	436,669	451,358	482,880	478,216	501,578	514,167
Plant Operations And Maintenance	1,036,423	963,038	866,548	857,341	888,357	956,095	987,564	1,111,625	975,775	998,171
Pupil Transportation	204,732	234,576	202,455	224,360	258,150	264,216	216,934	229,232	258,510	208,488
Capital Outlay	74,814	124,247	84,851	31,900	480,780	761,909	35,607	486,630	353,560	685,139
Bond Issuance Costs										
Advance Refunding Escrow										
Debt Service:										
Principal	635,000	680,000	700,000	745,000	760,000	775,000	790,000	810,000	840,000	825,000
Interest and Other Charges	271,957	249,733	225,932	199,683	176,592	150,752	123,627	95,187	65,217	33,297
Total Expenditures	12,854,944	13,716,063	13,446,185	13,287,039	14,439,664	14,861,525	14,209,043	15,143,072	15,781,262	15,568,200
Excess (Deficiency) of Revenues Over (Under) Expenditures	917,175	523,094	595,233	1,275,699	792,860	422,540	1,664,170	1,139,496	1,084,017	1,940,874
Other Financing Sources (Uses)										
Transfers In		52,253	-	-	-	-	-	-	-	-
Transfers Out	-	(52,253)	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	\$ 917,175	\$ 523,094	\$ 595,233	\$ 1,275,699	\$ 792,860	\$ 422,540	\$ 1,664,170	\$ 1,139,496	\$ 1,084,017	\$ 1,940,874
Debt Service as a Percentage of Noncapital Expenditures	7.10%	6.84%	6.93%	7.13%	6.71%	6.57%	6.45%	6.18%	5.87%	5.77%

**OLD TAPPAN BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30</u>	<u>Interest on Deposit</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2009	\$ 65,395	\$ 38,374	\$ 17,016	\$ 120,785
2010	49,380	21,702	31,683	102,765
2011	55,274	15,061	14,088	84,423
2012	29,098	8,235	33,314	70,647
2013	44,567	2,980	35,228	82,775
2014	45,710	14,161	42,462	102,333
2015	35,148	27,997	14,614	77,759
2016	41,726	19,694	10,839	72,259
2017	57,084	34,440	4,619	96,143
2018	84,276	70,386	13,851	168,513

Source: School District's Financial Statements

OLD TAPPAN BOARD OF EDUCATION
ASSESSED VALUATION AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Apartment	Total Assessed Valuation	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Valuation	Total School Tax Rate
2009	\$ 35,466,800	\$ 1,197,274,300	\$ 308,100	\$ 9,900	\$ 60,361,700	\$ 331,800	\$ 1,293,752,600	\$ 1,247,192	\$ 1,294,999,792	\$ 1,970,249,241	\$ 1.529
2010	33,777,900	1,207,995,400	308,100	9,900	61,568,200	331,800	1,303,991,300	1,290,151	1,305,281,451	1,914,086,815	1.547
2011 (1)	48,784,800	1,595,215,800	359,600	2,500	85,162,000	698,100	1,730,222,800	1,468,244	1,731,691,044	1,734,301,523	1.199
2012	47,906,700	1,597,442,700	371,300	2,500	81,586,500	698,100	1,728,007,800	1,361,526	1,729,369,326	1,970,249,291	1.248
2013	47,525,500	1,600,828,900	371,300	2,500	81,308,800	698,100	1,730,735,100	1,299,066	1,732,034,166	1,783,242,734	1.293
2014	43,661,000	1,594,422,600	371,300	2,500	80,435,200	698,100	1,719,590,700	1,156,788	1,720,747,488	1,708,954,754	1.347
2015	43,312,500	1,599,653,900	371,300	2,500	80,399,200	698,100	1,724,437,500	1,190,284	1,725,627,784	1,733,909,301	1.375
2016	40,450,900	1,606,134,700	371,300	2,500	80,545,500	2,817,100	1,730,322,000	1,149,128	1,731,471,128	1,721,634,054	1.392
2017	39,118,600	1,609,983,000	371,300	2,500	80,256,200	2,817,100	1,732,548,700	1,117,527	1,733,666,227	1,765,955,122	1.424
2018	37,566,000	1,619,099,500	371,300	2,500	80,256,200	2,817,100	1,740,112,600	1,117,699	1,741,230,299	1,769,692,974	1.423

(1) Revaluation, effective January 1
 Source: County Abstract of Ratables

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

<u>Year</u>	<u>Total</u>	<u>Local and Regional School Districts</u>	<u>Municipality</u>	<u>County</u>
2009	\$ 2.141	\$ 1.529	\$ 0.309	\$ 0.303
2010	2.171	1.547	0.298	0.326
2011	(1) 1.682	1.199	0.267	0.216
2012	1.751	1.248	0.277	0.226
2013	1.814	1.293	0.284	0.237
2014	1.871	1.347	0.292	0.232
2015	1.922	1.375	0.305	0.242
2016	1.953	1.392	0.316	0.245
2017	2.005	1.424	0.325	0.256
2018	2.010	1.423	0.332	0.255

Source: Tax Duplicate, Borough of Old Tappan

(1) The Borough revalued the municipal properties, effective January 1

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

<u>Taxpayer</u>	<u>2018</u>		<u>2009</u>	
	<u>Taxable Assessed Valuation</u>	<u>% of Total District Net Assessed Value</u>	<u>Taxable Assessed Valuation</u>	<u>% of Total District Net Assessed Value</u>
United Water of NJ	\$ 26,460,000	1.52%	\$19,824,000	1.53%
Prentice Hall	19,000,000	1.09%	13,882,900	1.07%
A & R a Ltd. Partnership	17,096,800	0.98%	14,000,000	1.08%
Sunrise Assisted Living	10,860,800	0.62%	8,326,000	0.64%
Rockland Electric	3,983,200	0.23%	2,809,000	0.22%
Individual	3,924,000	0.23%	4,550,300	0.35%
Individual	3,400,000	0.20%	2,626,400	0.20%
Individual	2,960,000	0.17%	2,241,000	0.17%
Individual	2,889,900	0.17%		
MCH-OT Rlty LLC	2,809,800	0.16%		
Individual			2,215,000	0.17%
Individual			2,171,000	0.17%
	<u>\$ 93,384,500</u>	<u>5.36%</u>	<u>\$ 72,645,600</u>	<u>5.61%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 11,910,264	\$ 11,910,264	100.00%	N/A
2010	12,246,014	12,246,014	100.00%	N/A
2011	12,423,699	12,423,699	100.00%	N/A
2012	12,672,362	12,672,362	100.00%	N/A
2013	12,903,066	12,903,066	100.00%	N/A
2014	13,235,319	13,235,319	100.00%	N/A
2015	13,594,559	13,594,559	100.00%	N/A
2016	13,895,990	13,895,990	100.00%	N/A
2017	14,236,864	14,236,864	100.00%	N/A
2018	14,469,005	14,469,005	100.00%	N/A

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

<u>Governmental Activities</u>					
<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Total District</u>	<u>Population</u>	<u>Per Capita</u>
2009	\$ 6,925,000		\$ 6,925,000	6,054	\$ 1,144
2010	6,245,000		6,245,000	5,754	1,085
2011	5,545,000		5,545,000	5,831	951
2012	4,800,000		4,800,000	5,869	818
2013	4,040,000		4,040,000	5,927	682
2014	3,265,000		3,265,000	5,964	547
2015	2,475,000		2,475,000	6,014	412
2016	1,665,000		1,665,000	6,023	276
2017	825,000		825,000	6,042	137
2018	-		-	6,042 *	-

Source: District records

*Estimate

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

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
2009	\$ 6,925,000		\$ 6,925,000	0.53%	\$ 1,144
2010	6,245,000		6,245,000	0.48%	1,085
2011	5,545,000		5,545,000	0.32%	951
2012	4,800,000		4,800,000	0.28%	818
2013	4,040,000		4,040,000	0.23%	682
2014	3,265,000		3,265,000	0.19%	547
2015	2,475,000		2,475,000	0.14%	412
2016	1,665,000		1,665,000	0.10%	276
2017	825,000		825,000	0.05%	137
2018	-		-	0.00%	-

Source: District records

**OLD TAPPAN BOARD OF EDUCATION
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING BONDED DEBT
AS OF DECEMBER 31, 2017
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt:			
Northern Valley Regional School District	\$ 3,794,503	\$ 3,794,503	
Old Tappan Board of Education	825,000	825,000	
Borough of Old Tappan	<u>8,508,389</u>	<u>1,947,850</u>	\$ 6,560,539
	<u>\$ 13,127,892</u>	<u>\$ 6,567,353</u>	<u>6,560,539</u>
Overlapping Debt Apportioned to the Municipality:			
County of Bergen (A)			12,975,764
Bergen County Utilities Authority (BCUA) - Water Pollution (B)			<u>1,028,406</u>
			<u>14,004,170</u>
Total Direct and Overlapping Debt			<u>\$ 20,564,709</u>

Sources:

- (1) Borough of Old Tappan Annual Debt Statement
- (2) BCUA Audit
- (3) Bergen County Debt Statement December 31, 2017

OLD TAPPAN BOARD OF EDUCATION
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS
 (Unaudited)

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	56,848,700	\$ 57,454,485	\$ 56,851,504	\$ 55,105,273	\$ 53,923,462	\$ 52,690,283	\$ 52,193,339	\$ 51,550,825	\$ 51,990,284	\$ 52,321,575
Total Net Debt Applicable To Limit	6,925,000	6,245,000	5,545,000	4,800,000	4,040,000	3,265,000	2,475,000	1,665,000	825,000	-
Legal Debt Margin	\$ 49,923,700	\$ 51,209,485	\$ 51,306,504	\$ 50,305,273	\$ 49,883,462	\$ 49,425,283	\$ 49,718,339	\$ 49,885,825	\$ 51,165,284	\$ 52,321,575
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.18%	10.87%	9.75%	8.71%	7.49%	6.20%	4.74%	3.23%	1.59%	0.00%

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized Valuation Basis	
2017	\$ 1,758,932,690
2016	1,760,604,396
2015	1,712,620,419
Average Equalized Valuation Of Taxable Property	\$ 1,744,052,502
Debt Limit (3% of Average Equalization Value)	\$ 52,321,575
Total Net Debt Applicable to Limit	-
Legal Debt Margin	\$ 52,321,575

Source: Annual Debt Statements

**OLD TAPPAN BOARD OF EDUCATION
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income</u>	<u>Population</u>	
2009	6.5	\$ 65,097	6,054	
2010	6.7	66,080	5,754	
2011	6.6	69,044	5,831	
2012	6.7	71,953	5,869	
2013	6.8	71,449	5,927	
2014	4.1	73,293	5,964	
2015	3.6	76,388	6,014	
2016	3.1	77,187	6,023	
2017	3.0	Not Available	6,042	
2018	Not Available	Not Available	6,042	*

Source: New Jersey Department of Labor, Bergen County
United States Bureau of Census
School District Records

*Estimate

OLD TAPPAN BOARD OF EDUCATION
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

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

INFORMATION NOT AVAILABLE

**OLD TAPPAN BOARD OF EDUCATION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction										
Regular	59.1	61.0	58.2	57.1	57.2	55.0	54.7	52.6	51.7	55.4
Special Education	12.6	12.6	12.0	12.4	10.0	10.3	10.0	10.0	10.7	6.7
Other Special Education	5.5	5.5	5.5	5.0	5.0	5.4	6.0	5.4	5.4	6.5
Other Instruction	14.0	14.0	13.0	13.0	14.4	15.0	10.5	15.5	16.9	13.8
Support Services:										
Student & Instruction Related Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	4.5
General Administration	3.0	3.0	3.0	3.0	3.0	2.6	3.0	3.0	2.1	2.1
School Administrative Services	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Other Administrative Services	4.0	4.0	4.0	4.0	3.5	3.5	3.5	3.6	3.6	3.6
Central Services										
Administrative Information Technology	1.0	1.0	1.0	1.0	1.4	1.4	1.0	1.4	1.4	1.4
Plant Operation and Maintenance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.7	4.5	4.5
Pupil Transportation										
Other Support Services	1.4	1.4	1.4	1.4	1.1	1.1	1.1	1.1	1.1	1.1
Total	<u>112.6</u>	<u>114.5</u>	<u>110.1</u>	<u>108.9</u>	<u>107.6</u>	<u>106.3</u>	<u>101.8</u>	<u>104.3</u>	<u>105.4</u>	<u>103.6</u>

Source: District Personnel Records

Notes:

- Special Education = Special Education Teachers
- Other Special Education = Child Study Team, Speech and CST Secretary
- Other Instruction = Teacher Aides

- Student & Instruction Related Services = Guidance and Nurses
- General Administrative Services = CSA, CSA Secretary and Treasurer
- School Administrative Services = Principals and School Secretaries
- Other Administrative Services = SBA and Business Office
- Administrative Information Technology = Technology Employees

**OLD TAPPAN BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Enrollment^a	Operating Expenditures^b	Cost Per Pupil^c	Percentage Change	Teaching Staff	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	868	\$ 11,947,987	\$ 13,765	3.28%	83.5	860.7	835.8	-0.73%	97.11%
2010	886	12,662,083	14,291	3.82%	82.6	871.7	842.8	1.28%	96.68%
2011	842	12,435,402	14,769	3.34%	79.4	820.9	793.4	-5.83%	96.65%
2012	793	12,310,456	15,524	5.11%	73.6	774.7	748.9	-5.63%	96.67%
2013	779	13,022,292	16,717	7.68%	69.8	756.0	730.5	-2.41%	96.63%
2014	781	13,173,864	16,868	0.90%	66.3	750.0	723.3	-0.79%	96.44%
2015	752	13,259,809	17,633	4.53%	65.7	736.7	714.0	-1.77%	96.92%
2016	722	13,751,255	19,046	8.02%	63.6	712.5	680.0	-3.28%	95.44%
2017	708	14,522,485	20,512	7.70%	63.6	683.4	644.0	-4.08%	94.23%
2018	673	14,024,764	20,839	1.60%	64.1	659.9	636.9	-3.45%	96.52%

Sources: District records

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

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>District Building</u>										
<u>Elementary</u>										
T. Baldwin Demarest (1964)										
Square Feet	59,270	59,270	59,270	59,270	59,270	59,270	59,270	59,270	59,270	59,270
Capacity (students)	407	407	407	407	407	407	407	407	407	407
Enrollment	452	440	414	380	372	349	352	331	340	346
 <u>Middle School</u>										
Charles DeWolf (1927)										
Square Feet	65,896	65,896	65,896	65,896	65,896	65,896	65,896	65,896	65,896	65,896
Capacity (students)	426	426	426	426	426	426	426	426	426	426
Enrollment	409	433	406	394	384	401	384	373	341	310

Source: District Records

OLD TAPPAN BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
 (Unaudited)

	<u>Fiscal Year Ended June 30,</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>
School Facilities										
T.Baldwin Demarest School	\$ 117,057	\$ 94,839	\$ 81,483	\$ 78,341	\$ 83,242	\$ 110,079	\$ 113,997	\$ 181,471	\$ 100,486	\$ 143,882
Charles DeWolf School	<u>130,436</u>	<u>104,313</u>	<u>89,623</u>	<u>86,504</u>	<u>92,150</u>	<u>122,004</u>	<u>120,511</u>	<u>200,645</u>	<u>139,588</u>	<u>156,286</u>
	<u>\$ 247,493</u>	<u>\$ 199,152</u>	<u>\$ 171,106</u>	<u>\$ 164,845</u>	<u>\$ 175,392</u>	<u>\$ 232,083</u>	<u>\$ 234,508</u>	<u>\$ 382,116</u>	<u>\$ 240,074</u>	<u>\$ 300,168</u>

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

	<u>Coverage</u>	<u>Deductible</u>
NESBIG		
Commercial Package Policy	\$ 29,877,385	\$ 5,000
Flood / Earthquake	5,000,000	50,000
General Liability	2,000,000	
Automobile Liability	1,000,000	
Contractors Equipment	250,000	
Employee Dishonesty - Per Employee	100,000	5,000
Employee Dishonesty - Per Loss	500,000	100,000
Western Surety Company		
Treasurer	250,000	

Source: School District's Records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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DEBRA GOLLE, CPA
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
Old Tappan Board of Education
Old Tappan, 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 Old Tappan 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 Old Tappan Board of Education's basic financial statements and have issued our report thereon dated January 22, 2019.

Internal Control Over Financial Reporting

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

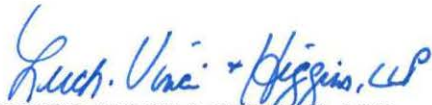
Compliance and Other Matters

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

However, we noted a certain matter that is not required to be reported under Government Auditing Standards that we reported to management of the Old Tappan Board of Education in a separate report entitled "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated January 22, 2019.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Old Tappan 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 Old Tappan Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


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


Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
January 22, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Old Tappan Board of Education
Old Tappan, New Jersey

Report on Compliance for Each Major State Program

We have audited the Old Tappan Board of Education's compliance with the types of compliance requirements described in New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Old Tappan Board of Education's major state programs for the fiscal year ended June 30, 2018. The Old Tappan 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 Old Tappan 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 Old Tappan 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 Old Tappan Board of Education's compliance.

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the Old Tappan 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 Old Tappan 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 Old Tappan Board of Education's internal control over compliance.

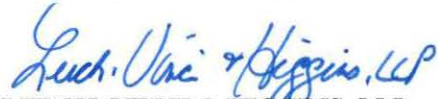
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a 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 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 Old Tappan Board of Education, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated January 22, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 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
Certified Public Accountants
Public School Accountants



Gary J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
January 22, 2019

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

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	FAIN Number	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2017			Cash Received	Budgetary Expenditures	Paid to Grantor	June 30, 2018			MEMO GAAP Receivable
						Unearned Revenue	(Accounts Receivable)	Due to Grantor				Unearned Revenue	Accounts Receivable	Due to Grantor	
U.S. Department of Education Passed-Through State Department of Education															*
Special Revenue Fund															*
I.D.E.A. Part B, Basic	84.027	H027A170100	IDEA385018	7/1/17-6/30/18	\$ 125,750	-	-	-	\$ 125,750	\$ 125,750	-	-	-	-	*
I.D.E.A. Part B, Preschool	84.173	H173A170114	IDEA385018	7/1/17-6/30/18	12,467	-	-	-	12,467	12,467	-	-	-	-	*
Total Special Education Cluster (IDEA)						-	-	-	138,217	138,217	-	-	-	-	*
ESEA (NVR Consolidated)															*
Title III	84.365	S365A170030	NCLB385018	7/1/17-6/30/18	3,644	-	-	-	3,644	3,644	-	-	-	-	*
Title III Immigrant	84.365	S365A170030	NCLB385018	7/1/17-6/30/18	2,045	-	-	-	2,045	2,045	-	-	-	-	*
Title IV	84.424	S424A170031	NCLB385018	7/1/17-6/30/18	9,800	-	-	-	9,800	9,800	-	-	-	-	*
Total Special Revenue Fund						-	-	-	153,706	153,706	-	-	-	-	*
Total Federal Financial Awards						\$ -	\$ -	\$ -	\$ 153,706	\$ 153,706	\$ -	\$ -	\$ -	\$ -	*

911 Note - FAIN numbers are only applicable for current year grant awards
 116 Note - This schedule is not subject to a federal single audit.

OLD TAPPAN 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		Cash Received	Budgetary Expenditures	June 30, 2018		Memo	
				Unearned Revenue	(Accounts Receivable)			Unearned Revenue	(Accounts Receivable)	GAAP Receivable	Cumulative Total Expenditures
State Department of Education											
General Fund											
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	\$ 325,509		\$ (26,677)	\$ 26,677					
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	345,089			311,498	\$ 345,089	\$ (33,591)		\$	345,089
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	12,912		(1,058)	1,058					
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	12,912			11,655	12,912	(1,257)			12,912
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	7,060		(579)	579					
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	7,060			6,373	7,060	(687)			7,060
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	7,560		(620)	620					
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	7,560			6,824	7,560	(736)			7,560
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	7,560		(619)	619					
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	7,560	-	-	6,824	7,560	(736)	-	-	7,560
Total State Aid Public Cluster				-	(29,553)	372,727	380,181	(37,007)	-	-	380,181
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	19,500		(1,598)	1,598					
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	19,500			17,602	19,500	(1,898)			19,500
Additional Non-Public Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	4,350		(4,350)	4,350					
Additional Non-Public Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	7,540	-	-	-	7,540	(7,540)	\$ (7,540)		7,540
Total Transportation Aid Cluster				-	(5,948)	23,550	27,040	(9,438)	(7,540)		27,040
Extraordinary Aid	17-100-034-5120-044	7/1/16-6/30/17	263,656		(263,656)	263,656					
Extraordinary Aid	18-100-034-5120-044	7/1/17-6/30/18	232,923			232,923		(232,923)			232,923
Lead Testing for Schools Aid	18-495-034-5120-104	7/1/17-6/30/18	2,340			2,340					2,340
On-Behalf TPAF											
Pension Contributions - Normal	18-495-034-5094-002	7/1/17-6/30/18	865,347			865,347	865,347				865,347
Pension Contributions - NCGI	18-495-034-5094-004	7/1/17-6/30/18	21,000			21,000	21,000				21,000
Long-Term Disability Insurance Contribution	18-495-034-5094-004	7/1/17-6/30/18	585			585	585				585
Post Retirement Medical Cont.	18-495-034-5094-001	7/1/17-6/30/18	572,472			572,470	572,472				572,472
Soc. Security Contribution	18-495-034-5094-003	7/1/17-6/30/18	426,077			426,070	426,077	(7)	(7)		426,077
Soc. Security Contribution	17-495-034-5094-003	7/1/16-6/30/17	435,153	-	(42,496)	42,496	-	-	-	-	-
Total General Fund				-	(341,653)	2,590,241	2,527,965	(279,375)	(7,547)		2,527,965
Debt Service Fund											
Debt Service Aid	18-495-034-5120-075	7/1/17-6/30/18	163,598	-	-	163,598	163,598	-	-	-	163,598
Total State Financial Assistance				\$ -	\$ (341,653)	2,753,839	2,691,563	(279,375)	(7,547)	\$	2,691,563
State Financial Assistance Not Subject to Single Audit Determination											
General Fund - On-Behalf TPAF											
Normal Cost						(865,347)	(865,347)				
NCGI						(21,000)	(21,000)				
Long-Term Disability Insurance						(585)	(585)				
Post Retirement Medical						(572,470)	(572,472)				
Total State Financial Assistance Subject to Single Audit						\$ 1,294,437	\$ 1,232,159				

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**OLD TAPPAN 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 Old Tappan 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 \$22,979 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		\$ 2,550,944	\$ 2,550,944
Special Revenue Fund	\$ 153,706		153,706
Debt Service Fund	-	163,598	163,598
	<u> </u>	<u> </u>	<u> </u>
Total Financial Assistance	<u>\$ 153,706</u>	<u>\$ 2,714,542</u>	<u>\$ 2,868,248</u>

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

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$426,077 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 \$886,347, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$572,472 and TPAF Long-Term Disability Insurance in the amount of \$585 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

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

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

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.

**OLD TAPPAN 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

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified: yes X no

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? yes X none reported

Noncompliance material to the basic financial statements noted? yes X no

State Awards Section

Internal Control over major programs:

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

Auditee qualified as low-risk auditee? X yes no

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 deficiency(ies) identified that were not considered to be material weaknesses? yes X none reported

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

Identification of major state programs:

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

Federal Awards Section

Not subject to Federal Single Audit.

**OLD TAPPAN 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.

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

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

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

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

CURRENT YEAR STATE AWARDS

There are none.

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

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

STATUS OF PRIOR YEAR FINDINGS

There were none.